

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

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BALANCE SHEET AT DECEMBER 31, 2022 AND 2021
(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>12/31/2022</u>	<u>12/31/2021</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	327.058	245.329
Trade receivables	6	936.417	860.065
Storeroom supplies	7	6.279	4.951
Bonds receivable	8	168	2.832
Other receivables	9	13.729	14.365
TOTAL CURRENT ASSETS		1.283.651	1.127.542
NON-CURRENT ASSETS			
Bonds receivable	8	232.957	234.104
Judicial deposits	10	29.113	26.996
		<u>262.070</u>	<u>261.100</u>
RESULTS			
	11		
From prior years		(13.756.841)	(12.168.682)
Current financial year		(1.528.130)	(1.588.159)
		<u>(15.284.971)</u>	<u>(13.756.841)</u>
PROPERTY, PLANT AND EQUIPMENT	12	<u>17.625.793</u>	<u>17.604.709</u>
INTANGIBLE ASSETS	12	<u>31.692</u>	<u>34.746</u>
TOTAL NON-CURRENT ASSETS		2.634.584	4.143.714
TOTAL ASSETS		3.918.235	5.271.256

BALANCE SHEET AT DECEMBER 31, 2022 AND 2021
(All amounts in thousands of US Dollars)

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

LIABILITIES AND EQUITY

	<u>Note</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
LIABILITIES			
CURRENT LIABILITIES			
Borrowings and financing	13	242.787	1.350.107
Remuneration and reimbursements	14	641.009	514.672
Suppliers	15	73.352	80.013
Salaries and social charges	16	81.282	72.223
Labor indemnities	17	42.706	31.731
Provision for lawsuits	19	12.661	20.264
Other payables	20	1.566	2.206
TOTAL CURRENT LIABILITIES		1.095.363	2.071.216
NON-CURRENT LIABILITIES			
Borrowings and financing	13	401.627	642.446
Labor indemnities	17	205.899	154.590
Post-employment benefits	18	1.984.020	2.191.327
Provision for lawsuits	19	129.197	109.602
Other payables	20	2.129	2.075
TOTAL NON-CURRENT LIABILITIES		2.722.872	3.100.040
TOTAL LIABILITIES		3.818.235	5.171.256
EQUITY			
Capital	21		
Emp.Bras.Particip.En.Nuclear e Binacional S.A.- ENBPar		50.000	-
Centrais Elétricas Brasileiras S.A.		-	50.000
Administración Nacional de Electricidad		50.000	50.000
TOTAL EQUITY		100.000	100.000
TOTAL LIABILITIES AND EQUITY		3.918.235	5.271.256

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(All amounts in thousands of US Dollars)

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

	Note	12/31/2022	12/31/2021
OPERATING REVENUES	22		
Contracted power		3.021.615	3.291.012
Remuneration for electricity assignment		218.445	186.085
Royalties and reimbursement for energy additional to the one tied to the contracted power		44.322	44.408
Total operating revenues		3.284.382	3.521.505
OPERATING EXPENSES			
REMUNERATION AND REIMBURSEMENTS	23		
Yields from capital		(61.934)	(54.660)
Remuneration for electricity assignment		(218.445)	(186.085)
Electricity related to contracted power			
Royalties		(442.352)	(363.188)
Reimbursement of management and supervision charges		(34.028)	(27.938)
		<u>(476.380)</u>	<u>(391.126)</u>
Energy additional to the one tied to the contracted power			
Royalties		(41.156)	(41.236)
Reimbursement of management and supervision charges		(3.166)	(3.172)
		<u>(44.322)</u>	<u>(44.408)</u>
		(801.081)	(676.279)
GENERAL AND ADMINISTRATIVE EXPENSES	24		
Operation, maintenance, and management		(511.146)	(769.302)
Social and environmental responsibility programs		(505.233)	(302.418)
		<u>(1.016.379)</u>	<u>(1.071.720)</u>
Total operating expenses		(1.817.460)	(1.747.999)
SERVICE INCOME		1.466.922	1.773.506
OTHER INCOME (EXPENSES)	25	(5.478)	(21.201)
Finance income		148.373	25.385
Finance costs		(81.687)	(189.531)
FINANCE RESULT	26	66.686	(164.146)
PROFIT FOR THE YEAR		1.528.130	1.588.159

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(All amounts in thousands of US Dollars)

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

	12/31/2022	12/31/2021
SOURCES OF FUNDS		
Operations		
Profit for the year	1.528.130	1.588.159
Expense items not affecting net working capital		
Long-term monetary restatements - borrowings	3.333	(2.683)
Long-term monetary restatements - estimated obligations	(99.161)	(21.037)
Provisions and other adjustments to PP&E and intangible assets	592	-
Write-offs of property, plant and equipment and intangible assets	29.892	28.855
	1.462.786	1.593.294
Third parties		
Increase in non-current liabilities	243.463	500.374
Transfer from current liabilities to non-current liabilities	78.541	30.002
Transfer from non-current assets to current assets	306	2.765
Decrease in non-current assets	8.519	16.881
	330.829	550.022
TOTAL SOURCES	1.793.615	2.143.316
INVESTMENTS OF FUNDS		
Investments in property, plant and equipment and intangible assets	48.436	34.819
Incorporated charges on property, plant and equipment	78	241
Increase in non-current assets	9.795	6.018
Decrease in non-current liabilities	274.116	191.054
Transfer from non-current to current - borrowings	244.152	1.351.442
Transfer from non-current to current - estimated obligations	85.076	25.218
	661.653	1.608.792
TOTAL INVESTMENTS	661.653	1.608.792
INCREASE IN NET WORKING CAPITAL	1.131.962	534.524
STATEMENT OF CHANGES IN NET WORKING CAPITAL		
Closing net working capital		
Final current assets	1.283.651	1.127.542
Final current liabilities	(1.095.363)	(2.071.216)
	188.288	(943.674)
Opening net working capital	(943.674)	(1.478.198)
Increase in net working capital	1.131.962	534.524

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(All amounts in thousands of US Dollars)

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

	12/31/2022	12/31/2021
FROM OPERATING ACTIVITIES		
Profit for the year	1.528.130	1.588.159
Profit (loss) adjustments		
Write-offs of property, plant and equipment and intangible assets	29.892	28.855
Provisions and other adjustments to PP&E and intangible assets	592	-
Monetary restatement of judicial deposits	(1.447)	-
Monetary restatements - borrowings	13.707	10.943
Monetary restatements - estimated obligations	(98.224)	(21.037)
Liability provisions		
Finance charges - borrowings	81.684	188.635
Provisions for personnel	67.965	(45.578)
Actuarial provisions	(102.043)	350.666
Provision for lawsuits	4.450	(6.951)
Adjusted profit	1.524.706	2.093.692
Changes in assets and liabilities		
Changes in trade receivables	(76.352)	64.735
Changes in storeroom supplies	(1.328)	(202)
Changes in other receivables	3.851	11.063
Changes in remunerations and reimbursements	126.337	(10.516)
Changes in trade and other payables	(7.247)	5.192
Changes in salaries and social charges	3.880	(1.016)
Changes in estimated obligations	-	(2.450)
	49.141	66.806
Net cash from operating activities	1.573.847	2.160.498
FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(48.436)	(34.819)
Net cash used in investing activities	(48.436)	(34.819)
FROM FINANCING ACTIVITIES		
Amortization of borrowings and financing	(1.349.519)	(1.858.462)
Payment of interest on borrowings and financing	(94.163)	(205.847)
Net cash used in financing activities	(1.443.682)	(2.064.309)
TOTAL EFFECTS IN CASH AND CASH EQUIVALENTS	81.729	61.370
Opening balance of cash and cash equivalents	245.329	183.959
Closing balance of cash and cash equivalents	327.058	245.329
Change in cash and cash equivalents	81.729	61.370

STATEMENT OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(All amounts in thousands of US Dollars)

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

	12/31/2022	12/31/2021
GENERATION OF VALUE ADDED		
Revenues		
Contracted power	3.021.615	3.291.012
Remuneration for electricity assignment	218.445	186.085
Royalties and reimbursement for energy additional to the one tied to the contracted power	44.322	44.408
Sundry revenues (expenses)	(5.478)	(21.201)
	3.278.904	3.500.304
(-) Inputs acquired from third parties		
Materials	28.935	16.732
Third-party services	98.884	90.069
Other operating expenses	507.194	297.025
	635.013	403.826
GROSS VALUE ADDED	2.643.891	3.096.478
(+) Value added received through transfer		
Finance income	148.373	25.385
	148.373	25.385
VALUE ADDED TO DISTRIBUTE	2.792.264	3.121.863
DISTRIBUTION OF VALUE ADDED		
Compensation:		
Personnel		
Direct compensation	213.115	187.789
Benefits	135.928	114.422
Actuarial provisions	(102.043)	350.666
Labor indemnities	102.386	(13.310)
Government Severance Indemnity Fund for Employees (FGTS)	4.742	4.074
	354.128	643.641
Government		
INSS and IPS	27.238	24.253
Royalties	483.508	404.424
Remuneration for electricity assignment	218.445	186.085
	729.191	614.762
Third-party capital		
Debt charges	81.684	188.635
Monetary variation	-	896
Other finance costs	3	-
	81.687	189.531
Own capital		
Yields from capital	61.934	54.660
Reimbursement of management and supervision charges	37.194	31.110
	99.128	85.770
Profit for the year	1.528.130	1.588.159
VALUE ADDED DISTRIBUTED	2.792.264	3.121.863

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

**NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2022 AND 2021**

(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, currently, in equal portions, from Empresa Brasileira de Participações em Energia Nuclear and Binacional S.A. - ENBPar and Administración Nacional de Electricidad - ANDE, also referred as the Parties.

ITAIPU is headquartered in both Brasília, Capital of the Federative Republic of Brazil and in Asunción, Capital of the Republic of Paraguay, and enjoys a broad 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, contributing to the sustainable development, 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 the Brazilian and Paraguayan purchasing entities.

In 2022, ITAIPU generated 69.9 million MWh while in 2021 it generated 66.4 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 13 and 22). Attachment "C" provides details for the supply conditions, breakdown of electricity service cost and revenue (Notes to the Statement of Operating Account).

SUCCESSION OF ELETROBRAS BY ENBPAR

Pursuant to authorization in art. 9, paragraph 1, item II, of Law 14,182, of July 12, 2021, Decree 10,791/2021, of September 10, 2021, 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 has as its corporate purposes, among others, maintaining the ownership of the share capital of ITAIPU by the Federative Republic of Brazil, in compliance with the provisions of the Treaty of ITAIPU, and acquiring electricity services from ITAIPU.

According to the information provided by the Ministry of Mines and Energy of Brazil to ITAIPU, through Official Letter 233/2022/SE-MME, ENBPar, established on January 4, 2022, succeeded of the credit reserve Centrais Elétricas Brasileiras S.A - Eletrobras in all rights and obligations established by the Treaty of ITAIPU on June 17, 2022. The same information was submitted to the Ministry of Foreign Affairs of Paraguay by the Embassy of the Federative Republic of Brazil in Asunción, pursuant to Note PARBREM/No. 283/2022, of June 22, 2022.

2. PRESENTATION OF FINANCIAL STATEMENTS

Basis of presentation

The Financial Statements have been prepared in accordance with the accounting 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 and, 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 are not recorded over their useful lives; the assets comprising these groups are not subject to analyses for the recognition and measurement of impairment losses (Notes 3.e and 12);
- (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.l and 18);
- (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 14 and 23);
- (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 March 9, 2023.

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 Guarani, 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) actuarial assumptions affecting the measurement of post-employment benefit obligation; and (ii) 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.

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, or performs an impairment test of these assets, 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.

In prior years, ITAIPU used projected tariffs (unit cost of electricity service) to assess possible impairment of property, plant and equipment and intangible assets; this disclosure is being modified from the presentation of these financial statements.

f) Borrowings and financing

Borrowings and financing are measured at the amortized cost using the effective interest rate method (Note 13). The effective interest method is 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 the period.

g) 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, once 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 are 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/ENBPar 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.

h) 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.

i) 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.

j) Finance costs

These include finance charges from borrowings and financing agreements (Note 13), 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.

k) 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.

l) 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 18);
- 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 sponsor with no segregation of assets to the plan (Notes 2.iii and 18).

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

m) Profit sharing

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

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).

<u>US Dollar exchange rate</u>				
Closing rate	Brazil		Paraguay	
	Rate in Reais (R\$)	Change in the year - %	Rate in Guaranis (Gs)	Change in the year - %
2021	5.5805	7.4	6,887.40	(0.8)
2022	5.2177	(6.5)	7,339.62	6.6

Amounts transacted in US dollars remain recorded at historical cost.

For information purposes, the headline annual inflation indexes for the financial years of December 31, 2022 and 2021 were:

	In percentage - %	
	2022	2021
Brazil:		
National Amplified Consumer Price Index - IPCA Instituto Brasileiro de Geografia e Estatística	5.8	10.1
General Price Index - IGP-DI Fundação Getúlio Vargas	5.0	17.7
Paraguay:		
Consumer Price Index - IPC Banco Central del Paraguay	8.1	6.8

5. CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash	11	11
Bank checking accounts	68	82
Interest earning bank deposits		
In Brazil		
Banco do Brasil - Fixed Income 25 thousand	70,802	94,162
Caixa Econômica Federal - CDB Flex	-	78,142
Caixa Econômica Federal - Fixed income	245,165	-
	315,967	172,304
In Paraguay		
Banco Atlas	4,001	13,006
Banco Basa	571	358
Banco Continental	89	1,490
Banco do Brasil	1	1
Banco Itaú	3,804	46,315
Banco Nacional de Fomento	8	8
Banco Regional	2,459	11,752
Sudameris Bank	79	2
	11,012	72,932
	326,979	245,236
Total	327,058	245,329

6. TRADE RECEIVABLES

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.

ITAIPU issues invoices in a manner consistent with the terms of the agreement for electricity services, known as the Engagement Letter (Eletrobras, up to May/2022 and ENBPar, as from June/2022) and Letter of Agreement (ANDE).

Trade receivables refer to the provision of electricity services (Note 22), 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.

	2022	2021
Centrais Elétricas Brasileiras S.A. - Eletrobras	-	702,360
Empresa Brasileira de Participações em Energia Nuclear e Binacional - ENBPar	680,270	-
Administración Nacional de Electricidad - ANDE	274,607	176,165
(-) Provision for credits	(18,460)	(18,460)
Total	936,417	860,065

At December 31, 2022, amounts above include delinquent accounts totaling US\$ 137,150 billed to ANDE and, at December 31, 2021, overdue amounts billed to ANDE of US\$ 45,636.

The invoices for electricity services by contracted power, referring to January to July 2022, were issued in August 2022, after the approval of the nominal value of the Unit Cost of Electricity Service, on August 9, 2022, by the Board of Directors' Resolution RCA 017/2022. The provisional amounts of assets by contract recorded up to July 2022 were reversed in August with the issue of the invoices.

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, 2022 were US\$ 18,460 for ENBPar and US\$ 3,788 for ANDE.

During 2021, 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. This obligation was transferred to ENBPar, pursuant to the official communications regarding the succession of Eletrobras by ENBPar.

Hence, at December 31, 2022, the provision remains recorded at the total amount of invoice CT-00081/2021, corresponding 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. In this sense, from 2003 to May 2022, ITAIPU electricity services were acquired in Brazil by Centrais Elétricas Brasileiras S.A. - Eletrobras, according to Decree 4,550 of December 27, 2002.

As from June 2022, ITAIPU electricity services started to be acquired in Brazil by ENBPar, according to Official Letter 233/2022/SE-MME of the Ministry of Mines and Energy (MME) of Brazil and Note DM/UGRE/I 072/2022 of the Ministry of Foreign Affairs of Paraguay, in which the succession of Centrais Elétricas Brasileiras S.A. - Eletrobras by Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A. - ENBPar in all rights and obligations established by the Itaipu Treaty was informed. In Paraguay, the ITAIPU electricity services are acquired by ANDE.

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.

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

	2022	2021
Security deposits CT-80/92 (i)	230,916	232,643
Agreement ANDE 5808/99-Substation MD (ii)	106	739
Agreement ANDE 5808/99-Addendum n.2-T5/R5 (ii.a)	-	1,895
Agreement ANDE 5808/99-Addendum n.6-T4/R4 (ii.b)	-	162
Other	2,103	1,497
Total	233,125	236,936
Current	168	2,832
Non-current	232,957	234,104

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 13). 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 13), 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 and ANDE for borrowings contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 13) for the Repowering of Autotransformer Set/Regulator (T4/R4) in the Right Margin Substation. At December 31, 2022, these agreements had already terminated.

9. OTHER RECEIVABLES

	2022	2021
Advances to suppliers (i)	11,205	12,077
Restricted deposits (ii)	539	770
Advances to staff	567	441
Sundry receivables	1,418	1,077
Total	13,729	14,365

- (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:

	2022	2021
ANDE Cooperation Agreement L66kV (ii.a)	306	306
FINEP agreement (ii.b)	-	241
SESI and SENAI Terms of Cooperation (ii.c)	233	223
Total	539	770

(ii.a) ANDE Cooperation Agreement 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 Paraná, Paraguay.

Details of the works and services performed are as follows:

- a) Construction of a Substation Microcenter in Ciudad del Este
- b) Repowering of overhead Transmission Line at 66 kV, between the substations of Acaray and Alto Parana; and
- c) 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.

In November 2021, the assembly, trials and performance tests of the hybrid electric bus prototype were completed. In February 2022, the last payments for services contracted were made and ITAIPU returned the unused FINEP funds, thus terminating the agreement.

(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.

	2022	2021
Brazil	26,833	24,567
Paraguay	2,280	2,429
Total	29,113	26,996

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, 2021, and the income (loss) for the year ended December 31, 2022.

	2022	2021
Prior-year results	(13,756,841)	(12,168,682)
Result for the current year	(1,528,130)	(1,588,159)
Total	(15,284,971)	(13,756,841)

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 forecast 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 AND INTANGIBLE ASSETS

Property, plant and equipment items mainly refer to the infrastructure required for the generation of electricity, auxiliary works, adjacent areas, administrative headquarters, and movable property. The intangible assets comprise expenditures inherent to obtaining assets for the operation, maintenance and management of ITAIPU, mainly software and other rights of use. Balances and changes for property, plant and equipment and intangible assets are as follows:

	2021	Acquisitions	Write-offs	Transfers	Provisions and others	2022
12. PROPERTY, PLANT AND EQUIPMENT						
12.1. Property, plant and equipment in service						
Assets and facilities for production	16,478,788	2	(3)	(21,104)	-	16,457,683
Other assets and facilities	736,960	-	(1,674)	33,366	(431)	768,221
Movable property	122,406	10,303	(8,234)	381	(152)	124,704
Total property, plant and equipment in service	17,338,154	10,305	(9,911)	12,643	(583)	17,350,608
12.2. Construction in progress						
Sundry property, plant and equipment	209,298	33,936	(12,825)	(12,643)	(9)	217,757
Finance charges	3,676	78	-	-	-	3,754
Technical reserve	53,581	2,713	(2,620)	-	-	53,674
Total construction in progress	266,555	36,727	(15,445)	(12,643)	(9)	275,185
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,604,709	47,032	(25,356)	-	(592)	17,625,793
12.3. INTANGIBLE ASSETS						
Right of use of easements strip	71	-	-	-	-	71
Software	34,675	1,482	(4,536)	-	-	31,621
TOTAL INTANGIBLE ASSETS	34,746	1,482	(4,536)	-	-	31,692
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	17,639,455	48,514	(29,892)	-	(592)	17,657,485

Property, plant and equipment and intangible assets are stated at historical cost, that is, at the cost incurred upon acquisition or formed by expenditures directly related to making the assets available for use. This method is adopted because ITAIPU does not record a depreciation charge for property, plant and equipment nor amortization of intangible assets over their useful life, and does not apply the procedures for identification, measurement and recording of impairment losses on these assets, 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 (Notes 3.e and 11).

Property, plant and equipment in service, equivalent to 98.4% and 98.5% of total property, plant and equipment at December 31, 2022 and 2021, respectively, represents the portion of property, plant and equipment items already completed and ready for their intended use.

Construction in progress, in turn, refers to amounts already incurred in items that are not ready for the intended use, which will be 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% of total property, plant and equipment at December 31, 2022 and 2021, refer to investments in the works of new facilities and replacement of equipment. 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. The finance charges on construction in progress are related to assets not yet in service.

The technical reserve comprises the amounts related to the inventories of spare parts and materials to be used directly in the property, plant and equipment.

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

The transfers are accounting procedures that record the movement of amounts between groups of property, plant and equipment and intangible assets, mainly, from construction in progress to property, plant and equipment in service.

Provisions and other movements refer to the net effect of the provisions for write-off of assets, foreign exchange variations and other adjustments.

13. 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:

**NOTES TO THE FINANCIAL STATEMENTS AT
DECEMBER 31, 2022 AND 2021**
(All amounts in thousands of US Dollars unless otherwise stated)

	Currency (3)	Annual interest rate	Contract value Total	Debt				Amortization period		
				12/31/2022		12/31/2021		Beginning	End	Installment
				Current	Non-current	Current	Non-current			
I - ELETROBRAS										
ECF - 1480/97										
Tranche B - Principal	US\$	7.50	10,250,481	211	-	3,479	8,934	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	1,780,955	10,784	-	64,253	10,867	2007	2023	Monthly
ECF - 1627/97										
Principal	US\$	7.50	181,577	1,655	-	9,931	1,655	1998	2023	Monthly
ECF - 1628/97										
Principal	US\$	7.50	211,116	3,475	-	20,850	3,475	2007	2023	Monthly
				16,125	-	98,513	24,931			
II - BRAZILIAN NATIONAL TREASURY / BNDES										
CT-80/92										
External Debit Restructuring (DMLP)	US\$	(2)/(6)	918,235	1,976	243,369	1,534	243,369	1997	2023	Semiannual
CT-424/TN CT-808/BNDES										
Betrobras Assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7.50	-	54,421	-	312,558	53,339	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	-	11,719	-	68,548	11,697	2007	2023	Monthly
CT-425/TN CT-808/BNDES										
Betrobras Assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7.50	-	120,414	-	691,927	112,924	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	-	25,929	-	151,671	25,886	2007	2023	Monthly
				214,459	243,369	1,226,238	447,215			
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	5,489	80,495	4,852	80,393	2018	2038	Monthly
CT - 7218/03 ⁽¹⁾	R\$	6.00 ⁽⁵⁾	73,911	638	-	3,264	563	2004	2023	Monthly
				6,127	80,495	8,116	80,956			
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	-	2012	2022	Monthly
PIB 2011-10-0002 - Sectioning L3 and L4 500kV	US\$	8.00	42,000	-	-	5,294	-	2013	2022	Monthly
PIB 2011-10-0003 - Environment MD	US\$	8.00	12,000	-	-	1,171	-	2013	2022	Monthly
PIB 2012-10-0001 - Repowering T4/R4	US\$	8.00	1,132	-	-	162	-	2013	2022	Monthly
CT-257/18 - SERV. PASSADO REAJ. SAL.	Gs.	5.51 ⁽⁷⁾	129,445	6,076	77,763	6,136	89,344	2018	2038	Monthly
				6,076	77,763	14,658	89,344			
Other lenders										
Banco Continental S.A.E.C.A. - ITAIPU Preserva MD	US\$	6.00	11,500	-	-	1,757	-	2016	2022	Monthly
Banco Bilbao V. A. S.A.- Estudo Atual. Tec. UHI	US\$	5.75	4,537	-	-	825	-	2017	2022	Monthly
				-	-	2,582	-			
TOTAL BORROWINGS AND FINANCING				242,787	401,627	1,350,107	642,446			

(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\$ 14,165**

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

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

Gs. - Guaranis

(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

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

(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), settled in December 2021.

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.

In September 2022, Eletrobras requested, through Letter N°CTA-DF-1743/2022, the adjustment to the debt balance of contract ECF-1480/97 to ensure the full transfer of funds due to BNDES, as established in assignment contract 808/PGFN/CAF. Which resulted in a decrease in interest payable for contract ECF-1480/97.

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 difference 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.

At December 31, 2021, Contract PIB 2011-10-0001 for Repowering T1/R1, T2/R2, T3/R3 and TX/RX with CAJUBI was settled.

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	
2024	255,585
2025	12,903
2026	13,629
2027	14,397
2028 to 2038	<u>105,113</u>
Total	<u>401,627</u>

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

Financing entities	2022	2021
Eletrobras		
Principal	98,674	684,851
Charges	4,052	32,635
	102,726	717,486
Brazilian National Treasury		
Credit Assignment of Eletrobras		
Principal	1,224,751	1,146,973
Charges	58,260	136,978
	1,283,011	1,283,951
Brazilian National Treasury		
Foreign debt restructuring		
Charges	8,338	7,387
	8,338	7,387
Fibra		
Principal	8,985	7,765
Charges	10,859	15,031
	19,844	22,796
Cajubi		
Principal	14,527	16,132
Charges	12,576	13,575
	27,103	29,707
Other lenders		
Principal	2,582	2,741
Charges	78	241
	2,660	2,982
Total		
Principal	1,349,519	1,858,462
Charges	94,163	205,847
	1,443,682	2,064,309

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

14. 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/ENBPar and ANDE), as provided for in ITAIPU Treaty, in Attachments and respective Reverse Notes.

	2022			2021		
	Principal	US Dollar adjustment	Total	Principal	US Dollar adjustment	Total
Paraguayan Government						
Royalties (i)	19,609	169,043	188,652	14,777	135,143	149,920
Remuneration for electricity assignment (ii)	19,491	153,049	172,540	10,770	126,384	137,154
Subtotal	39,100	322,092	361,192	25,547	261,527	287,074
Brazilian Government						
Royalties (i)	19,609	169,043	188,652	14,777	135,143	149,920
Subtotal	19,609	169,043	188,652	14,777	135,143	149,920
Administración Nacional de Electricidad - ANDE						
Reimbursement of Management and Supervision Charges (iii)	1,508	13,003	14,511	1,137	10,396	11,533
Yields from Capital (iv)	6,000	24,692	30,692	6,000	21,306	27,306
Subtotal	7,508	37,695	45,203	7,137	31,702	38,839
Centrais Elétricas Brasileiras S.A. - Eletrobras						
Reimbursement of Management and Supervision Charges (iii)	-	-	-	1,137	10,396	11,533
Yields from Capital (iv)	-	-	-	6,000	21,306	27,306
Subtotal	-	-	-	7,137	31,702	38,839
Empresa Brasil. Partic. Energia Nuclear e Binacional S.A.-ENBPar						
Reimbursement of Management and Supervision Charges (iii)	1,508	13,762	15,270	-	-	-
Yields from Capital (iv)	6,000	24,692	30,692	-	-	-
Subtotal	7,508	38,454	45,962	-	-	-
Total	73,725	567,284	641,009	54,598	460,074	514,672

- (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, 2022 and 2021.

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 ENBPar 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 ENBPar and ANDE have with ITAIPU, which can be paid in cash if available.

15. SUPPLIERS

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

16. SALARIES AND SOCIAL CHARGES

	2022	2021
Provision for vacation and social security charges	34,039	31,710
Provision for profit sharing	25,502	22,811
Supplementary pension foundations	10,138	6,817
Payroll charges payable	5,993	5,395
Other	5,610	5,490
Total	81,282	72,223

17. LABOR INDEMNITIES

	2022	2021
Permanent voluntary termination program (i)	58,160	2,060
Indemnity for length of service (ii)	190,445	184,261
Total	248,605	186,321
Current	42,706	31,731
Non-current	205,899	154,590

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).

18. 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 is defined in accordance with the Costing Plan. In 2022, this percentage was 18.97%.

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	
	2022	2021	2022	2021	2022	2021
Obligations recorded on the balance sheet - long-term						
Retirement plan benefits	-	-	1,092,888	1,223,986	1,092,888	1,223,986
Healthcare plan benefits	383,818	230,865	507,314	736,476	891,132	967,341
	383,818	230,865	1,600,202	1,960,462	1,984,020	2,191,327
Provisions recognized in the statement of income for the years						
Retirement plan benefits	-	53,107	55,159	(313,389)	55,159	(260,282)
Healthcare plan benefits	(136,900)	67,123	183,784	(157,507)	46,884	(90,384)
	(136,900)	120,230	238,943	(470,896)	102,043	(350,666)

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

	BRAZIL		PARAGUAY	
	2022	2021	2022	2021
GENERAL DATA				
Active participants	1,331	1,325	1,547	1,443
Retired participants	1,695	1,682	1,737	1,702
Pensioners	329	299	466	448

BRAZIL		PARAGUAY	
2022	2021	2022	2021

ECONOMIC ASSUMPTIONS

Real discount rate (p.a.) - pension plan (*)	6.20%	5.45%	4.90%	3.60%
Real discount rate (p.a.) - healthcare plan (*)	6.20%	5.45%	4.90%	3.60%
Assets expected return rate (p.a.)	9.72%	8.94%	9.10%	7.74%
Real rate of wage developments (p.a.)	3.01%	3.01%	3.50%	3.50%
Real rate of growth in costs (p.a.)	2.00%	2.00%	2.00%	2.00%
Inflation	3.31%	3.31%	4.00%	4.00%
Benefits capacity factor	98.20%	98.20%	-	-

ACTUARIAL ASSUMPTIONS

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%

(*) In relation to the real discount rate used for Paraguay, the treasury bonds are considered in accordance with CPC 33/NIC 19, however, since there is no active market for these bonds, and the savings deposit certificates are more current in the Paraguayan market, the rate exposed and used in the discount rate corresponds to the average of both rates.

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	
	2022	2021	2022	2021
Fair value of plan assets	941,692	858,892	250,292	247,074
Present value of the obligations (*)	(992,308)	(945,602)	(1,427,019)	(1,575,062)
Actuarial deficit	(50,616)	(86,710)	(1,176,727)	(1,327,988)
Loans and debt contracts (**)	86,622	89,072	83,839	104,002
Actuarial surplus / (deficit), net	36,006	2,362	(1,092,888)	(1,223,986)

(*) In compliance with accounting guidance for the recognition of defined benefit obligations of NIC 19/CPC 33, the present value of CAJUBI's obligations, detailed in the table, does not include the effect of contributions provided for in Law 1,361/88, to be made by the retired beneficiaries. If this contribution were considered, the present value of obligations would be reduced to US\$ 1,284,317, which would result in an actuarial deficit of US\$ 950,186.

(**) The actuarial reserves exclude the obligation already recognized by ITAIPU for loans and debt contracts with FIBRA and CAJUBI (Note 13).

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 2021, 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 continued and will be submitted for consideration of the Executive Board and the Board of Directors.

In 2022, the proposal relating to the settlement of the Defined Benefit Plan of CAJUBI and the creation of a new Defined Contribution Plan, for the Right Margin employees, depends on the approval of the Executive Board and, subsequently, the Entity's Board of Directors.

In August 2022, the documentation relating to the settlement of the Defined Benefit Plan of FIBRA and the creation of a new Defined Contribution Plan, for the Left Margin employees, was approved by RCA 014/2022 of August 9, 2022.

The approval of the regulations by ITAIPU does not result, at this time, in a change in the plan in effect. Only after the approval of the National Supplementary Pension Superintendency (PREVIC), the settlement of the Defined Benefit Plan and the creation of the Defined Contribution Plan will be authorized, accordingly, no financial impact was recorded in these financial statements.

Accordingly, on October 25, 2022, FIBRA filed with the Regulatory Agency the process of settlement of the Defined Benefit Plan. On November 11, 2022, Previc requested some adjustments to the documentation of the process of settlement of the Defined Benefit Plan of FIBRA, which were implemented and are available to be analyzed by 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	
	2022	2021	2022	2021
Fair value of plan assets	-	-	-	-
Present value of the obligations				
Rights due	305,354	180,005	401,074	576,460
Rights falling due	78,464	50,860	106,240	160,016
	383,818	230,865	507,314	736,476
Unrecognized gains (losses)	-	-	-	-
Recorded actuarial liability	383,818	230,865	507,314	736,476

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 2022		Impact	
	Discount rate used		Projected scenarios	
			0.5% increase	0.5% decrease
Pension plan - Brazil	6.20%	36,006	52,352	(57,799)
Pension plan - Paraguay	4.90%	(1,092,888)	81,826	(90,457)
Health plan - Brazil	6.20%	(383,818)	22,625	(25,182)
Health plan - Paraguay	4.90%	(507,314)	33,830	(37,898)

19. 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:

	2022			2021		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Current						
Tax	4,041	-	4,041	10,993	-	10,993
Civil	10	-	10	13	-	13
Commercial	4	69	73	236	18	254
Labor	5,600	2,937	8,537	5,524	3,480	9,004
	9,655	3,006	12,661	16,766	3,498	20,264
Non-current						
Tax	4,036	-	4,036	3,698	-	3,698
Civil	21	-	21	13	-	13
Commercial	115,774	1,907	117,681	97,319	28	97,347
Labor	2,681	4,778	7,459	3,151	5,393	8,544
	122,512	6,685	129,197	104,181	5,421	109,602
Total	132,167	9,691	141,858	120,947	8,919	129,866

Changes in the balances of provisions for lawsuits were:

	Tax	Civil	Commercial	Labor	Total
Balance at 12/31/2021	14,691	26	97,601	17,548	129,866
Brazil					
(+) Additions	694	16	11,714	722	13,146
(-) Write-offs/reversals	(8,192)	(13)	(252)	(1,674)	(10,131)
Exchange rate change	884	2	6,761	558	8,205
Paraguay					
(+) Additions	-	-	2,485	304	2,789
(-) Write-offs/reversals	-	-	(437)	(917)	(1,354)
Exchange rate change	-	-	(118)	(545)	(663)
Balance at 12/31/2022	8,077	31	117,754	15,996	141,858

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

	2022			2021		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Tax	1,859	-	1,859	-	-	-
Civil	37	583	620	45	620	665
Commercial	39,942	169	40,111	26,247	2,033	28,280
Labor	291	9,224	9,515	183	8,696	8,879
Environmental	-	125	125	-	141	141
Total	42,129	10,101	52,230	26,475	11,490	37,965

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

i) Tax lawsuits

In Brazil, 47 (forty-seven) 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 2022, the change in the provisioned amounts was made following a review of risks and amounts, in addition to the write-off/reversal of amounts.

There are no tax lawsuits in progress in Paraguay.

ii) Civil lawsuits

In Brazil, 169 (one hundred and sixty-nine) 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 2022, the change in the provisioned amounts was made following an adjustment to amounts, write-off/reversal of amounts and review of risks.

In Paraguay, 26 (twenty-six) lawsuits in progress are of a civil nature and 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, 77 (seventy-seven) 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 2022, the change in the provisioned amounts was made following a review of amounts.

In Paraguay, the 18 (eighteen) 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 496 (four hundred and ninety-six) 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 2022, 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, 252 (two hundred fifty-two) 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 98 (ninety-eight) 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.

20. OTHER PAYABLES

	2022	2021
Agreements (i)	306	459
Contractual retentions	1,243	1,726
Sundry creditors	2,146	2,096
Total	3,695	4,281
Current	1,566	2,206
Non-current	2,129	2,075

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

21. 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, currently distributed equally between Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A - ENBPar and Administración Nacional de Electricidad - ANDE.

The transfer of capital from Eletrobras to ENBPar is supported by article II, subitem "d", of the Treaty of Itaipu, which establishes that the role originally attributed to Eletrobras can be fulfilled by a "legal entity that succeeds it".

22. 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 Unit Cost of Electricity Service for 2022 was defined by the proper authorities on August 9, 2022. However, ITAIPU made permanently available the power for the purchasing entities, electricity was supplied with regularity and the purchasing entities made periodic payments for the services received.

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 2022 totaled US\$ 3,021,615, which corresponds to 145,620 MW of power, at the rate of US\$ 20.75 per kW of monthly contracted power and, in 2021, it 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 2022 was 63.6 million MWh and 59.3 million MWh in 2021.

The total energy supplied to the Purchasing Entities in the year 2022 amounted to 69.5 million MWh and 66 million MWh in 2021.

	2022			2021		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Contracted power	2,570,133	451,482	3,021,615	2,847,224	443,788	3,291,012
Remuneration for electricity assignment	218,445	-	218,445	186,085	-	186,085
Royalties and reimbursement other than that linked to the contracted power	1,070	43,252	44,322	6,876	37,532	44,408
Total	2,789,648	494,734	3,284,382	3,040,185	481,320	3,521,505
Billed power - MW	123,862	21,758	145,620	125,983	19,637	145,620
Bound energy delivered - MWh	52,392,704	11,194,162	63,586,866	49,155,613	10,112,082	59,267,695
Energy supplied - MWh	52,527,147	16,964,682	69,491,829	50,197,184	15,799,169	65,996,353

23. 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 14 and Attachment I - Notes to Statement of Operating Account), the amounts below were generated in 2022 and 2021, due to the High Contracting Parties: royalties and remuneration for energy assignment, as well as to the Parties (Eletrobras/ENBPar and ANDE): yields from capital and reimbursement of management and supervision charges.

	2022			2021		
	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	(24,967)	(24,967)	(49,934)	(21,330)	(21,330)	(42,660)
Subtotal	(30,967)	(30,967)	(61,934)	(27,330)	(27,330)	(54,660)
Royalties						
Principal	(90,339)	(90,339)	(180,678)	(85,795)	(85,795)	(171,590)
US dollar adjustment	(151,415)	(151,415)	(302,830)	(116,417)	(116,417)	(232,834)
Subtotal	(241,754)	(241,754)	(483,508)	(202,212)	(202,212)	(404,424)
Reimbursement of management and supervision charges						
Principal	(6,949)	(6,949)	(13,898)	(6,600)	(6,600)	(13,200)
US dollar adjustment	(11,648)	(11,648)	(23,296)	(8,955)	(8,955)	(17,910)
Subtotal	(18,597)	(18,597)	(37,194)	(15,555)	(15,555)	(31,110)
Remuneration for electricity assignment						
Principal	-	(81,616)	(81,616)	-	(78,944)	(78,944)
US dollar adjustment	-	(136,829)	(136,829)	-	(107,141)	(107,141)
Subtotal	-	(218,445)	(218,445)	-	(186,085)	(186,085)
Total	(291,318)	(509,763)	(801,081)	(245,097)	(431,182)	(676,279)

24. 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.

	2022	2021
Personnel		
Remuneration	(207,936)	(188,064)
Benefits	(135,928)	(114,422)
Social charges	(31,980)	(28,327)
Indemnities (Note 17)	(39,600)	(31,993)
(Formation) and reversal of provisions	(67,965)	45,578
	<u>(483,409)</u>	<u>(317,228)</u>
Materials		
Consumption materials	(24,829)	(14,838)
Materials used in social and environmental actions	(4,106)	(1,894)
	<u>(28,935)</u>	<u>(16,732)</u>
Third-party services		
Services applied on social and environmental actions	(23,303)	(28,818)
Maintenance services	(16,743)	(14,338)
Consultancy and audit	(4,228)	(2,569)
Insurance	(3,332)	(2,941)
Other third-party services	(51,278)	(41,403)
	<u>(98,884)</u>	<u>(90,069)</u>
Provisions - (Formation) / Reversals		
Related to pension and health plans (Note 18)	102,043	(350,666)
Related to lawsuits (Note 19)	(4,450)	6,951
	<u>97,593</u>	<u>(343,715)</u>
Other		
Agreements and financial contributions	(482,288)	(279,342)
Other expenses	(20,456)	(24,634)
	<u>(502,744)</u>	<u>(303,976)</u>
Total	<u>(1,016,379)</u>	<u>(1,071,720)</u>
Reconciliation - Expenses per function		
Operation, maintenance, and management	(511,146)	(769,302)
Social and environmental responsibility programs	(505,233)	(302,418)
	<u>(1,016,379)</u>	<u>(1,071,720)</u>

25. 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:

	2022	2021
Sundry revenues		
Disposals	1,772	1,160
Real estate occupancy rates	1,249	1,202
Interest, contractual fines and other	948	1,509
Reversal of expected credit losses (Note 6)	-	3,864
	3,969	7,735
Sundry expenses		
Write-off of assets and facilities	(8,019)	(28,855)
Expected credit losses	(1,376)	-
Bank and fine expenses	(51)	(14)
Other expenses	(1)	(67)
	(9,447)	(28,936)
	(5,478)	(21,201)

26. FINANCE RESULT

	2022	2021
Finance income		
Income from interest on bank deposits (Notes 5 and 28)	45,068	9,363
Restatement of judicial deposits (Note 10)	1,447	1,938
Late payment charges on billings (Note 6)	2,664	14,002
Inflation adjustments (Note 26.1)	99,156	-
Other finance income	38	82
	148,373	25,385
Finance costs		
Finance charges on borrowings and financing (Note 13)	(81,684)	(188,635)
Inflation adjustments (Note 26.1)	-	(896)
Other finance costs	(3)	-
	(81,687)	(189,531)
	66,686	(164,146)

26.1 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:

	2022	2021
Borrowings and financing		
CAJUBI	(1,750)	(7,978)
FIBRA	(11,957)	(2,965)
	(13,707)	(10,943)
Other exchange rate changes		
Current assets	12,179	(12,492)
Non-current assets	1,752	(1,220)
Current liabilities	(229)	2,722
Non-current liabilities	99,161	21,037
	112,863	10,047
	99,156	(896)

27. 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:

- a) 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\$ 246,081
ii) Vehicles	Civil and hull liability - US\$ 215,328
iii) Personal Tourists Accident	Death, disability, medical and hospital expenses.
iv) Management civil liability - D&O	US\$ 10,000
v) Aircraft	US\$ 5,822
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.

28. 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 ENBPar and ANDE is considered low risk, because of the ITAIPU Treaty. At December 31, 2022 and 2021, there were balances pending (Note 6).

The financial institutions with 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, in 2022 and 2021, 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, 2022				
Borrowings and financing	272,748	279,212	87,930	182,681
Remuneration and reimbursements	641,009	-	-	-
Suppliers	73,352	-	-	-
December 31, 2021				
Borrowings and financing	1,440,360	272,167	94,187	219,484
Remuneration and reimbursements	514,672	-	-	-
Suppliers	80,013	-	-	-

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 13, 14 and 15).

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 12.58% p.a. in 2022 and 4.62% p.a. in 2021, 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 2022 effective weighted average yield of investments in Guaranis was 1.97% p.a. and 1.82% p.a. in 2021; for investments in US dollars in 2022 it was 0.52% p.a. and 0.19% p.a. in 2021. 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 2022, there was an increase in interest rates offered by the banks in the market, impacting the effective average yield obtained by ITAIPU on its investments.

29. RELATED PARTIES

The more significant related-party transactions in 2022 and 2021 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:

		2022					
	Note	ELETROBRAS	ENBPARG	ANDE	FIBRA	CAJUBI	Total
BALANCE SHEET							
ASSETS							
Trade receivables	6	-	661,810	274,607	-	-	936,417
Agreements	8	-	-	106	-	-	106
Total		-	661,810	274,713	-	-	936,523
LIABILITIES							
Borrowings and financing	13	(16,125)	-	-	(86,622)	(83,839)	(186,586)
Remuneration and reimbursements	14	-	(45,962)	(45,203)	-	-	(91,165)
Pension contributions	16	-	-	-	(2,558)	(7,580)	(10,138)
Actuarial obligations	18	-	-	-	-	(1,092,888)	(1,092,888)
Agreements and others		-	(10,300)	(3,061)	-	-	(13,361)
Total		(16,125)	(56,262)	(48,264)	(89,180)	(1,184,307)	(1,394,138)
PROFIT (LOSS)							
REVENUES							
Revenue from rendering of services	22	22,835	2,766,813	494,734	-	-	3,284,382
Finance income		-	-	2,776	-	-	2,776
Total		22,835	2,766,813	497,510	-	-	3,287,158
EXPENSES							
Finance costs		(4,052)	-	-	(10,859)	(12,501)	(27,412)
Remuneration and reimbursements	23	(2,478)	(47,086)	(49,564)	-	-	(99,128)
Pension contributions		-	-	-	(18,142)	(26,955)	(45,097)
Actuarial expenses	18	-	-	-	-	55,159	55,159
Total		(6,530)	(47,086)	(49,564)	(29,001)	15,703	(116,478)

		2021					
	Note	ELETROBRAS	ENBPAP	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	13	(123,444)	-	-	(89,072)	(104,002)	(316,518)
Remuneration and reimbursements	14	(38,839)	-	(38,839)	-	-	(77,678)
Pension contributions	16	-	-	-	(1,834)	(4,983)	(6,817)
Actuarial obligations	18	-	-	-	-	(1,223,986)	(1,223,986)
Agreements and others		-	-	-	-	-	-
Total		(162,283)	-	(38,839)	(90,906)	(1,332,971)	(1,624,999)
PROFIT (LOSS)							
REVENUES							
Revenue from rendering of services	22	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	23	(42,885)	-	(42,885)	-	-	(85,770)
Pension contributions		-	-	-	(12,512)	(24,044)	(36,556)
Actuarial expenses	18	-	-	-	53,107	(313,389)	(260,282)
Total		(75,520)	-	(42,885)	25,564	(350,753)	(443,594)

ITAIPU is also considered to be related to the Itaiguapy 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 RCA 004/97, the Tesai Health Foundation was established, a private non-profit organization, which is responsible for managing and operating the ITAIPU Right Margin Hospital, in Paraguay.

ITAIPU Technological Park Foundations - FPTI BR and FPTI PY

In 2005, in Brazil, through the Board of Directors Resolution RCA 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 2022 and 2021, are shown below:

	Assets/(Liabilities)		Revenue/(Expenses)	
	2022	2021	2022	2021
1. Contracted services				
a) Itaipu Health Foundation	6,708	4,838	(6,860)	(6,398)
a) Tesai Health Foundation	9	(112)	(24,771)	(22,417)
b) ITAIPU Technological Park Foundation BR	(3,483)	(321)	(4,938)	(3,468)
b) ITAIPU Technological Park Foundation PY	-	-	(73)	(12)
2. Agreements and financial contributions				
a) Itaipu Health Foundation	(4,959)	(4,574)	(8,728)	(10,819)
a) Tesai Health Foundation	18	20	(4,684)	(12,376)
b) ITAIPU Technological Park Foundation BR	(468)	(9,621)	(10,178)	(10,427)
b) ITAIPU Technological Park Foundation PY	-	(4,765)	(1,638)	(10,221)
Total				
a) Itaipu Health Foundation	(1,749)	264	(15,588)	(17,217)
a) Tesai Health Foundation	27	(92)	(29,455)	(34,793)
b) ITAIPU Technological Park Foundation BR	(3,951)	(9,942)	(15,116)	(13,895)
b) ITAIPU Technological Park Foundation PY	-	(4,765)	(1,711)	(10,233)
Total	(2,175)	(14,535)	(61,870)	(76,138)

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:

	2022	2021
Remuneration of board members and officers	(5,295)	(4,933)
Social charges	(493)	(494)
Benefits	(987)	(988)
	(6,775)	(6,415)

STATEMENT OF OPERATING ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(All amounts in thousands of US Dollars)

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
REVENUES		
Revenues from rendering of electric power services:		
Contracted power	3.021.615	3.291.012
Brazilian purchasing entity	2.570.133	2.847.224
Paraguayan purchasing entity	451.482	443.788
Remuneration for electricity assignment	218.445	186.085
Royalties and reimbursement for energy additional to the one tied to the contracted power	44.322	44.408
Total revenues	<u>3.284.382</u>	<u>3.521.505</u>
LESS:		
REMUNERATION FOR ELECTRICITY ASSIGNMENT	<u>(218.445)</u>	<u>(186.085)</u>
COST OF ELECTRICITY SERVICE		
Remuneration and compensation to the High Contracting Parties and the Parties that constitute ITAIPU:		
Yields from capital	(61.934)	(54.660)
Electricity related to contracted power		
Royalties	(442.352)	(363.188)
Reimbursement of management and supervision charges	(34.028)	(27.938)
	<u>(476.380)</u>	<u>(391.126)</u>
Energy additional to the one tied to the contracted power		
Royalties	(41.156)	(41.236)
Reimbursement of management and supervision charges	(3.166)	(3.172)
	<u>(44.322)</u>	<u>(44.408)</u>
	<u>(582.636)</u>	<u>(490.194)</u>
Amortization of borrowings and financing	<u>(1.347.462)</u>	<u>(1.856.193)</u>
Finance charges on borrowings	<u>(94.089)</u>	<u>(205.593)</u>
Exploration expenses		
Personnel	(424.102)	(359.632)
Materials and equipment	(38.464)	(40.311)
Third-party services	(108.915)	(99.780)
Other exploration expenses	(498.612)	(300.811)
	<u>(1.070.093)</u>	<u>(800.534)</u>
Total cost of electricity service	<u>(3.094.280)</u>	<u>(3.352.514)</u>
OPERATING ACCOUNT RESULTS FOR THE PERIOD	<u>(28.343)</u>	<u>(17.094)</u>
Prior-year balance	80.154	97.248
RETAINED EARNINGS FROM OPERATING ACCOUNT	<u>51.811</u>	<u>80.154</u>

NOTES TO THE STATEMENT OF OPERATING ACCOUNT**AT DECEMBER 31, 2022 AND 2021**

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/ENBPar 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 (up to May/2022), Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A. - ENBPar (as from June/2022) and 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 (up to May/2022), Empresa Brasileira de Participações em Energia Nuclear and Binacional S.A. - ENBPar (as from June/2022) 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:

<u>Year</u>	<u>Adjustment factor*</u>
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	4.59688
2022	5.11532

(*) 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 whole and one-tenth).

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

Year	Original factor (A)	Adjustment factor (B)*	Adjusted factor (A x B)
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	2.37900	9.51600
2021	15.30	2.37900	36.39870
2022	4.00	2.65292	10.61168
2022	15.30	2.65292	40.58968

(*) 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).

- 4) 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.

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

AUTHORIZATION FOR ISSUE
FINANCIAL STATEMENTS AND ATTACHMENT I
AT DECEMBER 31, 2022 AND 2021

Anatalicio Riden 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

Juan Rafael Caballero González
Executive Legal Director

Paulo Roberto da Silva Xavier
Administrative Director

Fernando Souto dos Santos
Executive Administrative Director

André Pepitone da Nóbrega
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
Accounting

Mirtha Beatriz Caballero Borges
Superintendent of Budget and Accounting

Emerson Cardoso Teotonio
Accounting Analysis Division Manager
Accountant - CRC PR-064802/O-4

Nathalia Cubas Ibañez
Interim Accounting Department Manager
Enrollment No. 822 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, 2022 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, 2022, 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.

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ITAIPU Binacional

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.

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 18, 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 and 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, 2022, 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.

ITAIPU Binacional

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.

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.



ITAIPU Binacional

- 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.

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 26, 2023


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


Carlos Alexandre Peres
Contador CRC 1SP198156/O-7

Asunción, April 26, 2023


PricewaterhouseCoopers S.R.L.
Registro de firmas profesionales n° 2
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Consejo de Contadores Públicos del Paraguay
Registro de contador público tipo "A" N° 331