



Financial Statements and Independent Auditor´s Report

At December 31, 2023

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

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BALANCE SHEET AT DECEMBER 31, 2023 AND 2022

(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>12/31/2023</u>	<u>12/31/2022</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	682.158	327.058
Trade receivables	6	878.484	936.417
Storeroom supplies	7	6.219	6.279
Bonds receivable	8	234.256	168
Assets held for sale	9	44.448	-
Other receivables	10	11.900	13.729
TOTAL CURRENT ASSETS		<u>1.857.465</u>	<u>1.283.651</u>
 NON-CURRENT ASSETS			
Bonds receivable	8	2.118	232.957
Judicial deposits	11	25.368	29.113
		<u>27.486</u>	<u>262.070</u>
 RESULTS			
From prior years	12	(15.284.971)	(13.756.841)
Current financial year		(133.674)	(1.528.130)
		<u>(15.418.645)</u>	<u>(15.284.971)</u>
 PROPERTY, PLANT AND EQUIPMENT			
	13	<u>17.620.013</u>	<u>17.625.793</u>
 INTANGIBLE ASSETS			
	13	<u>27.963</u>	<u>31.692</u>
TOTAL NON-CURRENT ASSETS		<u>2.256.817</u>	<u>2.634.584</u>
 TOTAL ASSETS		 <u>4.114.282</u>	 <u>3.918.235</u>

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



BALANCE SHEET AT DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

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

LIABILITIES AND EQUITY

	<u>Note</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
LIABILITIES			
CURRENT LIABILITIES			
Borrowings and financing	14	246.609	242.787
Remuneration and reimbursements	15	765.323	641.009
Suppliers	16	144.367	73.352
Salaries and social charges	17	85.557	81.282
Labor indemnities	18	34.387	42.706
Post-employment benefits	19	42.985	-
Provision for lawsuits	20	16.186	12.661
Other payables	21	3.578	1.566
TOTAL CURRENT LIABILITIES		<u>1.338.992</u>	<u>1.095.363</u>
NON-CURRENT LIABILITIES			
Borrowings and financing	14	-	401.627
Labor indemnities	18	219.986	205.899
Post-employment benefits	19	2.300.808	1.984.020
Provision for lawsuits	20	152.552	129.197
Other payables	21	1.944	2.129
TOTAL NON-CURRENT LIABILITIES		<u>2.675.290</u>	<u>2.722.872</u>
TOTAL LIABILITIES		<u>4.014.282</u>	<u>3.818.235</u>
EQUITY			
Capital	22		
Emp.Bras.Particip.En.Nuclear e Binacional S.A. - ENBPar		50.000	50.000
Administración Nacional de Electricidad		50.000	50.000
TOTAL EQUITY		<u>100.000</u>	<u>100.000</u>
TOTAL LIABILITIES AND EQUITY		<u>4.114.282</u>	<u>3.918.235</u>

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



STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

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

	<u>Note</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
OPERATING REVENUES	23		
Contracted power		2.433.310	3.021.615
Remuneration for electricity assignment		273.336	218.445
Royalties and reimbursement for energy additional to the one tied to the contracted power		62.311	44.322
Total operating revenues		<u>2.768.957</u>	<u>3.284.382</u>
OPERATING EXPENSES			
REMUNERATION AND REIMBURSEMENTS	24		
Yields from capital		(62.244)	(61.934)
Remuneration for electricity assignment		(273.336)	(218.445)
Electricity related to contracted power			
Royalties		(524.058)	(442.352)
Reimbursement of management and supervision charges		(40.313)	(34.028)
		<u>(564.371)</u>	<u>(476.380)</u>
Energy additional to the one tied to the contracted power			
Royalties		(57.860)	(41.156)
Reimbursement of management and supervision charges		(4.451)	(3.166)
		<u>(62.311)</u>	<u>(44.322)</u>
		<u>(962.262)</u>	<u>(801.081)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	25		
Operation, maintenance, and management		(766.320)	(511.146)
Social and environmental responsibility programs		(921.760)	(505.233)
		<u>(1.688.080)</u>	<u>(1.016.379)</u>
Total operating expenses		<u>(2.650.342)</u>	<u>(1.817.460)</u>
SERVICE INCOME		<u>118.615</u>	<u>1.466.922</u>
OTHER INCOME (EXPENSES)	26	2.874	(5.478)
Finance income		82.386	148.373
Finance costs		(70.201)	(81.687)
FINANCE RESULT	27	<u>12.185</u>	<u>66.686</u>
PROFIT FOR THE YEAR		<u>133.674</u>	<u>1.528.130</u>

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



STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

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

	<u>12/31/2023</u>	<u>12/31/2022</u>
SOURCES OF FUNDS		
Operations		
Profit for the year	133.674	1.528.130
Expense items not affecting net working capital		
Long-term monetary restatements - borrowings	9.850	3.333
Long-term monetary restatements - estimated obligations	63.560	(99.161)
Provisions and other adjustments to PP&E and intangible assets	47.781	592
Write-offs of property, plant and equipment and intangible assets	30.877	29.892
	<u>285.742</u>	<u>1.462.786</u>
Third parties		
Increase in non-current liabilities	330.903	243.463
Transfer from current liabilities to non-current liabilities	77.014	78.541
Transfer from non-current assets to current assets	234.455	306
Decrease in non-current assets	8.077	8.519
	<u>650.449</u>	<u>330.829</u>
TOTAL SOURCES	<u>936.191</u>	<u>1.793.615</u>
INVESTMENTS OF FUNDS		
Investments in property, plant and equipment and intangible assets	69.149	48.436
Incorporated charges on property, plant and equipment	-	78
Increase in non-current assets	7.948	9.795
Decrease in non-current liabilities	167.624	274.116
Transfer from non-current to current - borrowings	259.079	244.152
Transfer from non-current to current - estimated obligations	102.206	85.076
	<u>606.006</u>	<u>661.653</u>
INCREASE IN NET WORKING CAPITAL	<u>330.185</u>	<u>1.131.962</u>
STATEMENT OF CHANGES IN NET WORKING CAPITAL		
Closing net working capital		
Final current assets	1.857.465	1.283.651
Final current liabilities	(1.338.992)	(1.095.363)
	<u>518.473</u>	<u>188.288</u>
Opening net working capital	<u>188.288</u>	<u>(943.674)</u>
Increase in net working capital	<u>330.185</u>	<u>1.131.962</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

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

	<u>12/31/2023</u>	<u>12/31/2022</u>
FROM OPERATING ACTIVITIES		
Profit for the year	133.674	1.528.130
Profit (loss) adjustments		
Write-offs of property, plant and equipment and intangible assets	30.877	29.892
Provisions and other adjustments to PP&E and intangible assets	3.333	592
Monetary restatement of judicial deposits	1.685	(1.447)
Monetary restatements - borrowings	13.791	13.707
Monetary restatements - estimated obligations	64.108	(98.224)
Liability provisions		
Finance charges - borrowings	27.337	81.684
Provisions for personnel	6.380	67.965
Actuarial provisions	(61.121)	(102.043)
Pension plan settlement cost	207.123	-
Provision for lawsuits	16.125	4.450
Adjusted profit	<u>443.312</u>	<u>1.524.706</u>
Changes in assets and liabilities		
Changes in trade receivables	57.933	(76.352)
Changes in storeroom supplies	60	(1.328)
Changes in other receivables	640	3.851
Changes in remunerations and reimbursements	124.314	126.337
Changes in trade and other payables	72.842	(7.247)
Changes in salaries and social charges	(1.032)	3.880
	<u>254.757</u>	<u>49.141</u>
Net cash from operating activities	<u>698.069</u>	<u>1.573.847</u>
FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(69.149)	(48.436)
Net cash used in investing activities	<u>(69.149)</u>	<u>(48.436)</u>
FROM FINANCING ACTIVITIES		
Amortization of borrowings and financing	(241.091)	(1.349.519)
Payment of interest on borrowings and financing	(32.729)	(94.163)
Net cash used in financing activities	<u>(273.820)</u>	<u>(1.443.682)</u>
TOTAL EFFECTS IN CASH AND CASH EQUIVALENTS	<u>355.100</u>	<u>81.729</u>
Opening balance of cash and cash equivalents	327.058	245.329
Closing balance of cash and cash equivalents	682.158	327.058
Change in cash and cash equivalents	<u>355.100</u>	<u>81.729</u>

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



STATEMENT OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

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

	<u>12/31/2023</u>	<u>12/31/2022</u>
GENERATION OF VALUE ADDED		
Revenues		
Contracted power	2.433.310	3.021.615
Remuneration for electricity assignment	273.336	218.445
Royalties and reimbursement for energy additional to the one tied to the contracted power	62.311	44.322
Sundry revenues (expenses)	<u>2.874</u>	<u>(5.478)</u>
	<u>2.771.831</u>	<u>3.278.904</u>
(-) Inputs acquired from third parties		
Materials	31.930	28.935
Third-party services	110.008	98.884
Other operating expenses	<u>938.710</u>	<u>507.194</u>
	<u>1.080.648</u>	<u>635.013</u>
GROSS VALUE ADDED	<u>1.691.183</u>	<u>2.643.891</u>
(+) Value added received through transfer		
Finance income	<u>82.386</u>	<u>148.373</u>
	<u>82.386</u>	<u>148.373</u>
VALUE ADDED TO DISTRIBUTE	<u>1.773.569</u>	<u>2.792.264</u>
DISTRIBUTION OF VALUE ADDED		
Compensation:		
Personnel		
Direct compensation	227.138	213.115
Benefits	157.767	135.928
Pension plan settlement cost	207.123	-
Actuarial provisions	(61.121)	(102.043)
Labor indemnities	42.346	102.386
Government Severance Indemnity Fund for Employees (FGTS)	<u>5.140</u>	<u>4.742</u>
	<u>578.393</u>	<u>354.128</u>
Government		
INSS and IPS	29.039	27.238
Royalties	581.918	483.508
Remuneration for electricity assignment	<u>273.336</u>	<u>218.445</u>
	<u>884.293</u>	<u>729.191</u>
Third-party capital		
Debt charges	27.337	81.684
Monetary variation	39.962	-
Other finance costs	<u>2.902</u>	<u>3</u>
	<u>70.201</u>	<u>81.687</u>
Own capital		
Yields from capital	62.244	61.934
Reimbursement of management and supervision charges	<u>44.764</u>	<u>37.194</u>
	<u>107.008</u>	<u>99.128</u>
Profit for the year	<u>133.674</u>	<u>1.528.130</u>
VALUE ADDED DISTRIBUTED	<u>1.773.569</u>	<u>2.792.264</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2023 AND 2022

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

1. OPERATIONS

ITAIPU Binacional ("ITAIPU") is a Binational Entity created and governed, with equal rights and obligations, under the Treaty signed on April 26, 1973, between the Federative Republic of Brazil and the Republic of Paraguay, also referred to as the High Contracting Parties, with capital, in equal portions, from Empresa Brasileira de Participações em Energia Nuclear e 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 2023, ITAIPU generated 83.9 million MWh while in 2022 it generated 69.9 million MWh. The record for power generation was achieved in 2016 at 103.1 million MWh.

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

Attachment "A" - ITAIPU Bylaws.

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

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

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

In 2003, Itaipu changed its mission, incorporating social and environmental responsibility into its strategic objectives permanently, in addition to the electricity generation activity. This change in its mission was ratified by the exchange of Reverse Notes between the governments of Brazil and Paraguay in 2005.

According to its Strategic Plan, Itaipu's mission is "To generate quality electricity, with social and environmental responsibility, contributing to the sustainable development in Brazil and Paraguay" and its vision is "To be a modern and collaborative binational Entity, committed to regional integration, and recognized for its excellence in the generation of clean and renewable energy and for its contribution to the sustainable development of Paraguay and Brazil."

SUCCESSION OF ELETROBRAS BY ENBPARG

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. - ENBPARG, 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, ENBPARG, established on January 4, 2022, succeeded 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.f and 13);
- (ii) The Entity's profit (loss) is not presented within Equity, but classified within Assets (Note 12);
- (iii) Post-employment benefit obligations, which include: actuarial gains and losses and returns on plan assets, are recognized in the Statement of income for the year (Notes 3.m and 19);
- (iv) The distribution of remuneration on own capital paid to the Parties does not consider the realization of profits, being presented as an operating expense in the period (Notes 15 and 24);
- (v) A Statement of changes in equity and a Statement of comprehensive income are not presented because Equity is unchanged; and
- (vi) The Statement of changes in financial position is included with the Financial Statements and the Statement of cash flows and the Statement of value added are presented as supplementary information.

The issue of these Financial Statements was authorized by the Executive Board on April 18, 2024.

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 - at 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 Guaranis, 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

Comprised 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) Assets held for sale

These refer to properties not included in the Entity's operations, which are approved for sale by the Board of Directors. The transfer of the amount from Property, plant and equipment to Assets held for sale was made at their carrying amount, as this is lower than the fair value, net of selling expenses. Itaipu expects to sell these assets within a maximum of one year, from the date of the accounting reclassification.

f) 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.

g) Borrowings and financing

Borrowings and financing are measured at the amortized cost using the effective interest rate method (Note 14). The effective interest method 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.

At December 31, 2023, there was a change in accounting policy relating to the classification of ITAIPU's social security debts with FIBRA and CAJUBI. For a better presentation, the respective balances of these contracts were reclassified to the Post-employment Benefits subgroup (Notes 3.m, 14 and 19).

h) Operating revenues

These arise from the provision of electricity services, including contracted power, reimbursement of royalties and reimbursement of management and supervision charges for surplus energy over and above the contracted power and remuneration from electricity assignment. Operating revenues are recognized on the accrual basis, 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 (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.

i) Operating expenses

These include operating, maintenance and administration expenses for the operation of the hydroelectric plant, remuneration and reimbursements payable to the High Contracting Parties and Parties included in Attachment "C" to the Treaty and, from 2005, expenditure related to social and environmental responsibility programs, due to Reverse 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 accrual basis, considering the present contractual obligations assumed by the Entity.

j) Finance income

This includes income from investments with banking institutions, indexation/interest accruals on collateral deposits under the Brazilian foreign debt restructuring agreement (Note 8), penalty arrears for late receipt of invoices for the provision of electricity services, discounts obtained, interest from the agreement with ANDE for the construction of a substation on the right bank (Note 8) and other finance income.

k) Finance costs

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

l) Sundry revenues /expenses

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

m) Post-employment benefits

Obligations for employee benefit plans are recognized as follows:

- i) an actuarial assessment of retirement and pension and medical care and hospital plans is carried out by qualified actuaries using the projected credit method, except for retirement plans settled with the recognition of 100% of the liability for CAJUBI, and best estimates are applied for the expected performance of investment plans for the funds, salary increases, employee retirement ages, turnover, mortality, expected costs for healthcare, among others, respecting the characteristics of each country;
- ii) the present value of retirement and pension plan actuarial obligations less the fair value of plan assets, with immediate recognition of all actuarial gains and losses, is recognized. If a deficit is determined, it is recorded directly in the Statement of income (Notes 2.iii and 19);
- iii) the present value of medical and hospital care plan obligations, with immediate recognition of all actuarial gains and losses, is fully recognized in the Statement of income, as ITAIPU is a direct sponsor with no segregation of assets to the plan (Notes 2.iii and 19).

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

- iv) payment flow obligations are recognized in ITAIPU's Financial Statements, adjusted by contracted charges and monetary variations incurred, when applicable. At December 31, 2023, there was a change in accounting policy, and the balances that were recognized in the Borrowings and Financing subgroup were reclassified to Post-employment Benefits. (Notes 3.g, 14 and 19.1).

n) 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).

US Dollar exchange rate

Closing rate	Brazil		Paraguay	
	Rate in Reais (R\$)	Change in the year - %	Rate in Guaranis (Gs)	Change in the year - %
2022	5.2177	(6.5)	7,339.62	6.6
2023	4.8413	(7.2)	7,283.62	(0.8)

Amounts transacted in US dollars remain recorded at historical cost.

For information purposes, the headline annual inflation indexes for the financial years of December 31, 2023 and 2022 were:

Inflation indexes accumulated in the period

	In percentage - %	
	2023	2022
Brazil:		
National Amplified Consumer Price Index - IPCA Instituto Brasileiro de Geografia e Estatística	4.6	5.8
General Price Index - IGP-DI Fundação Getúlio Vargas	(3.3)	5.0
Paraguay:		
Consumer Price Index - IPC Banco Central del Paraguay	3.7	8.1

5. CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash	12	11
Bank checking accounts	84	68
Interest-earning bank deposits		
In Brazil		
Banco do Brasil - Fixed Income 25 thousand	-	70,802
Caixa Econômica Federal - Fixed income	625,165	245,165
	<u>625,165</u>	<u>315,967</u>
In Paraguay		
Banco Atlas	1,145	4,001
Banco Basa	10,253	571
Banco Continental	21,463	89
Banco do Brasil	7	1
Banco Itaú	3,244	3,804
Banco Nacional de Fomento	37	8
Banco Regional	-	2,459
Sudameris Bank	20,748	79
	<u>56,897</u>	<u>11,012</u>
	<u>682,062</u>	<u>326,979</u>
Total	<u>682,158</u>	<u>327,058</u>

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 (ENBPar) and Letter of Agreement (ANDE).

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

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

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

	<u>2023</u>	<u>2022</u>
Empresa Brasileira de Participações em Energia Nuclear e Binacional - ENBPar	675,840	680,270
Administración Nacional de Electricidad - ANDE	221,104	274,607
(-) Provision for credits	<u>(18,460)</u>	<u>(18,460)</u>
Total	<u>878,484</u>	<u>936,417</u>

At December 31, 2023, amounts above include delinquent accounts totaling US\$ 85,795 billed to ANDE and, at December 31, 2022, overdue amounts billed to ANDE of US\$ 137,150. At December 31, 2023, there is also an outstanding balance of ENBPar invoices of US\$ 54,291, maturing on December 30, 2023, which was paid on January 2, 2024, within the deadline established in the Engagement Letter.

The invoices for electricity services by contracted power, referring to January to March 2023, were issued in April 2023, after the approval of the nominal value of ITAIPU's Unit Cost of Electricity Service (Tariff) for 2023 of US\$ 16.71/kw per month, by the Board of Directors' Resolution RCA 003/2023 on April 17, 2023. The provisional amounts of assets by contract recorded up to March 2023 were reversed in April 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, 2023 were US\$ 18,460 for ENBPar.

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 has endeavored 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, 2023, 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 communications regarding the succession of Eletrobras by ENBPar. In Paraguay, the ITAIPU electricity services are acquired by Administración Nacional de Electricidad - 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

	2023	2022
Security deposits CT-80/92 (i)	234,193	230,916
Agreement ANDE 5808/99-Substation MD	-	106
Other	2,181	2,103
Total	236,374	233,125
Current	234,256	168
Non-current	2,118	232,957

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

(i) Security deposits CT-80/92

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

9. ASSETS HELD FOR SALE

On June 30, 2023, Itaipu's Board of Directors, through Resolution RCA-016/2023, approved the change in the decommissioning criteria for residential properties located in Housing Complexes "A" and "B" of Itaipu, in Foz do Iguaçu, Paraná, Brazil. On that occasion, the sale of 905 residential properties was determined. Until then, asset decommissioning due to the sale of residential properties was determined in a limited manner, in periodic and individual decisions of determined units, through auction.

In compliance with the applicable concepts of the accounting standard, Itaipu reclassified the equivalent value of such assets from Property, plant and equipment to the "Assets Held for Sale" subgroup and maintains control over these assets for faithful representation in the Financial Statements.

Assets Held for Sale are presented at their historical cost, that is, the cost incurred in their acquisition or formed by expenses directly related to making the assets available for use, as it presented a value lower than the fair value, according to an internal appraisal report (Note 13).

These amounts are controlled and monitored monthly, with write-offs occurring as the transfer of property ownership is formalized.

	<u>2022</u>	<u>Additions</u>	<u>Write-offs</u>	<u>2023</u>
Residential properties - Housing Complex A	-	45,231	(946)	44,285
Residential properties - Housing Complex B	-	163	-	163
Total	<u>-</u>	<u>45,394</u>	<u>(946)</u>	<u>44,448</u>

10. OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
Advances to suppliers (i)	10,152	11,205
Restricted deposits (ii)	528	539
Advances to staff	540	567
Sundry receivables	680	1,418
Total	<u>11,900</u>	<u>13,729</u>

- (i) Advances to suppliers of consumption materials and service providers to be offset upon delivery of merchandise or effective provision of services.

11. 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.

	<u>2023</u>	<u>2022</u>
Brazil	23,071	26,833
Paraguay	2,297	2,280
Total	<u>25,368</u>	<u>29,113</u>

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.

12. RESULTS

This line item includes ITAIPU's results as per the Statement of Income, accumulated up to December 31, 2022, and the profit (loss) for the year ended December 31, 2023.

	<u>2023</u>	<u>2022</u>
Prior-year results	(15,284,971)	(13,756,841)
Result for the current year	(133,674)	(1,528,130)
Total	<u>(15,418,645)</u>	<u>(15,284,971)</u>

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).

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.

13. 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:

	2022	Acquisitions	Write-offs	Transfers	Provisions and others	2023
13. PROPERTY, PLANT AND EQUIPMENT						
13.1. Property, plant and equipment in service						
Assets and facilities for production	16,457,683	-	(7)	43,272	-	16,500,948
Other assets and facilities	768,221	-	(1,864)	6,676	(47,616)	725,417
Movable property	124,704	7,051	(6,521)	477	(165)	125,546
Total property, plant and equipment in service	17,350,608	7,051	(8,392)	50,425	(47,781)	17,351,911
13.2. Construction in progress						
Sundry property, plant and equipment	217,757	57,231	(18,067)	(47,325)	-	209,596
Finance charges	3,754	-	-	-	-	3,754
Technical reserve	53,674	3,729	(2,651)	-	-	54,752
Total construction in progress	275,185	60,960	(20,718)	(47,325)	-	268,102
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,625,793	68,011	(29,110)	3,100	(47,781)	17,620,013
13.3. INTANGIBLE ASSETS						
Right of use of easements strip	71	-	-	-	-	71
Software	31,621	1,138	(1,767)	(3,100)	-	27,892
TOTAL INTANGIBLE ASSETS	31,692	1,138	(1,767)	(3,100)	-	27,963
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	17,657,485	69,149	(30,877)	-	(47,781)	17,647,976

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.f and 12).

Property, plant and equipment in service, equivalent to 98.5% and 98.4% of total property, plant and equipment at December 31, 2023 and 2022, 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, 2023 and 2022, 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, other adjustments, and assets held for sale.

In the first half of 2023, as a result of decisions made by the Executive Board and the Board of Directors and, specifically through the Board of Directors' Resolution RCA-016/2023, accounting records were made to reclassify Property, Plant and Equipment to Assets Held For Sale, in the amount of US\$ 44,963, representing the carrying amount of over 900 residential properties located in the Brazilian territory (Note 9).

14. BORROWINGS AND FINANCING

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

	Currency (3)	Annual interest rate	Total contract value	Debt				Amortization period		
				12/31/2023		12/31/2022		Beginning	End	Installment
				Current	Non-current	Current	Non-current			
I - ELETROBRAS										
ECF - 1480/97										
Tranche B - Principal	US\$	7.50	10.250.481	-	-	211	-	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	1.780.955	-	-	10.784	-	2007	2023	Monthly
ECF - 1627/97										
Principal	US\$	7.50	181.577	-	-	1.655	-	1998	2023	Monthly
ECF - 1628/97										
Principal	US\$	7.50	211.116	-	-	3.475	-	2007	2023	Monthly
				-	-	16.125	-			
II - BRAZILIAN NATIONAL TREASURY / BNDES										
CT-80/92										
External Debt Restructuring (DMLP)	US\$	(2)(6)	918.235	246.609	-	1.976	243.369	1997	2024	Semiannual
CT-424/TN CT-808/BNDES										
Eletrobras Assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7.50	-	-	-	54.421	-	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	-	-	-	11.719	-	2007	2023	Monthly
CT-425/TN CT-808/BNDES										
Eletrobras Assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7.50	-	-	-	120.414	-	2001	2023	Monthly
Tranche C - Principal	US\$	4.10	-	-	-	25.929	-	2007	2023	Monthly
				246.609	-	214.459	243.369			
III - OTHER CONTRACTS										
FIBRA - Fundação Itaipu BR de Previdência e Assistência Social										
CT-56/18 - SERV. PASSADO REAJ. SAL.	R\$	5.76 (4)	141.536	-	-	5.489	80.495	2018	2038	Monthly
CT - 7218/03 (1)	R\$	6.00 (5)	73.911	-	-	638	-	2004	2023	Monthly
				-	-	6.127	80.495			
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional										
CT-257/18 - SERV. PASSADO REAJ. SAL.	Gs.	5.51 (7)	129.445	-	-	6.076	77.763	2018	2038	Monthly
				-	-	6.076	77.763			
TOTAL BORROWINGS AND FINANCING				246.609	-	242.787	401.627			

(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\$ 15,267**.

(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.

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

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

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

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

(4) 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 were 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 - made available to ITAIPU, as requested, guarantees for its credit operations.

According to the debt payment schedule for the construction of plant and associated construction work, the debt balance was amortized in February 2023, settling Contracts ECF - 1480/1997, ECF - 1627/1997, ECF - 1628/1997, CT 808/BNDES and CT 7218/2003. 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.

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).

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 the 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 the 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.

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.

For the presentation of more adequate and relevant information in the Financial Statements, a change in the accounting policy for social security debts with FIBRA and CAJUBI was applied, referring to contracts CT-56/18 and CT-257/18. These debts were reclassified from the Borrowings and Financing subgroup to the Post-employment Benefits subgroup, at December 31, 2023 (see Notes 3.g, 3.m and 19).

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

Financing entities	2023	2022
Eletrobras		
Principal	16,105	98,674
Charges	104	4,052
	16,209	102,726
Brazilian National Treasury Credit Assignment of Eletrobras		
Principal	212,464	1,224,751
Charges	1,816	58,260
	214,280	1,283,011
Brazilian National Treasury Foreign debt restructuring		
Charges	14,827	8,338
	14,827	8,338
Fibra		
Principal	6,419	8,985
Charges	9,009	10,859
	15,428	19,844
Cajubi		
Principal	6,103	14,527
Charges	6,973	12,576
	13,076	27,103
Other lenders		
Principal	-	2,582
Charges	-	78
	-	2,660
Total		
Principal	241,091	1,349,519
Charges	32,729	94,163
	273,820	1,443,682

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

15. REMUNERATION AND REIMBURSEMENTS

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

	2023			2022		
	Principal	US Dollar adjustment	Total	Principal	US Dollar adjustment	Total
Paraguayan Government						
Royalties (i)	21,272	206,445	227,717	19,609	169,043	188,652
Remuneration for electricity assignment (ii)	19,839	193,064	212,903	19,491	153,049	172,540
Subtotal	41,111	399,509	440,620	39,100	322,092	361,192
Brazilian Government						
Royalties (i)	21,272	206,445	227,717	19,609	169,043	188,652
Subtotal	21,272	206,445	227,717	19,609	169,043	188,652
Administración Nacional de Electricidad - ANDE						
Reimbursement of Management and Supervision Charges (iii)	1,636	15,880	17,516	1,508	13,003	14,511
Yields from Capital (iv)	6,000	24,977	30,977	6,000	24,692	30,692
Subtotal	7,636	40,857	48,493	7,508	37,695	45,203
Empresa Brasil. Partic. Energia Nuclear e Binacional S.A.-ENBPar						
Reimbursement of Management and Supervision Charges (iii)	1,636	15,880	17,516	1,508	13,762	15,270
Yields from Capital (iv)	6,000	24,977	30,977	6,000	24,692	30,692
Subtotal	7,636	40,857	48,493	7,508	38,454	45,962
Total	77,655	687,668	765,323	73,725	567,284	641,009

- (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.
- (ii) Reimbursement of management and supervision charges: Amount owed to the Parties as reimbursement for management and supervision charges related to ITAIPU.
- (iii) 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 Reverse Notes (See Attachment I - Notes to Statement of Operating Account).

No amounts were overdue at December 31, 2023 and 2022.

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

16. SUPPLIERS

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

17. SALARIES AND SOCIAL CHARGES

	<u>2023</u>	<u>2022</u>
Provision for vacation and social security charges	37,750	34,039
Provision for profit sharing	28,407	25,502
Supplementary pension foundations	7,249	10,138
Payroll charges payable	6,722	5,993
Other	5,429	5,610
Total	<u>85,557</u>	<u>81,282</u>

18. LABOR INDEMNITIES

	<u>2023</u>	<u>2022</u>
Permanent voluntary termination program (i)	66,837	58,160
Indemnity for length of service (ii)	187,536	190,445
Total	<u>254,373</u>	<u>248,605</u>
Current	<u>34,387</u>	<u>42,706</u>
Non-current	<u>219,986</u>	<u>205,899</u>

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

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

(i) Permanent voluntary termination program (PPDV)

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

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

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

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

(ii) Indemnity for length of service

Indemnity provided for in Collective Bargaining Agreements entered into by ITAIPU and the trade unions representing employees contracted in Paraguay, based on Protocol on Labor Relations and Social Security and on Article 97 of the Paraguayan Labor Code, which will be paid to an employee leaving the Entity, other than in cases of just cause for termination, in conformity with this rule:

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

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

19. POST-EMPLOYMENT BENEFITS

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

FIBRA's Bylaws were approved by the Ministry of Social Security - MPAS on November 30, 1988, through Ordinance 4367 and its Regulation approved by the ITAIPU Board of Directors' Resolution RCA-041/87. These Bylaws were last amended on April 30, 2021, through ITAIPU Board of Directors' Resolution RCA-011/21.

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.

At December 31, 2023, 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 benefits of the plan administered by FIBRA, the regular sponsor contribution was 15% up to December 31, 2021. In January 2022, as approved by RCA-039/2021, there was an increase in the maximum limit of the regular sponsor contribution by the sponsor to 21.315%, and the annual amount is defined in accordance with the Costing Plan. From January 2022 to March 2023, this percentage was 18.97% and, from April 2023, it decreased to 16.92% per month, calculated on the total of the respective payroll.

To cover the benefits of the plan administered by CAJUBI, the regular sponsor contribution was 15% up to February 2013. In March 2013, the rate increased to 21.315% per month, calculated on the total of the respective payroll.

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.

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.

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
19.1 Payment Flow Obligations	12,716	152,398	165,114	-	-	-
19.2 Estimated Obligations	30,269	2,148,410	2,178,679	-	1,984,020	1,984,020
Total	42,985	2,300,808	2,343,793	-	1,984,020	1,984,020

19.1 PAYMENT FLOW OBLIGATIONS

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 FIBRA CT-56/18 and CAJUBI CT-257/18 were classified in the Borrowings and Financing subgroup and, considering the nature of the contracts and the event of RCAs 18 and 19/2023, a change in accounting policy was applied to social security debts and the respective balances were reclassified to the Post-employment Benefits subgroup at December 31, 2023 (see Note 14).

I - FIBRA

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. The contract was established in Reais, with amortization beginning in 2004 and ending in 2023, in monthly installments. In addition to the interest rate of 6.00% p.a., the contract sets forth the correction of the balance payable by the INPC and may not be less than the minimum actuarial profitability. The contract was settled in February 2023.

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. The contract was established in Reais, with amortization beginning in 2018 and ending in 2038, in monthly installments. In addition to the interest rate of 5.76% p.a., the contract sets forth the correction of the balance due by the IPCA and may not be less than the minimum actuarial profitability.

II - CAJUBI

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 contract was established in Guaranis, with amortization beginning in 2018 and ending in 2038, in monthly installments. In addition to the interest rate of 5.51% p.a., the contract sets forth the correction of the balance payable by the IPC and may not be less than the minimum actuarial profitability.

As shown in the table below, the debt contracts are duly adjusted and include interest and other financial charges, in accordance with the contractual conditions.

SPONSOR'S DEBT CONTRACTS

	2023			2022(*)		
	Current	Non-current	Total	Current	Non-current	Total
I - FIBRA						
Contract CT-56/18	6,256	80,496	86,752	-	-	-
Contract CT-7218/03	-	-	-	-	-	-
	6,256	80,496	86,752	-	-	-
II - CAJUBI						
Contract CT-257/18	6,460	71,902	78,362	-	-	-
	6,460	71,902	78,362	-	-	-
Total	12,716	152,398	165,114	-	-	-

(*) The balances for the 2022 fiscal year were presented in Note 14, due to the change in accounting policy.

19.2 ESTIMATED OBLIGATIONS

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

	BRAZIL		PARAGUAY		Total	
	2023	2022	2023	2022	2023	2022
Obligations recorded in the balance sheet						
Retirement plan benefits (a)	4,225	-	966,792	1,092,888	971,017	1,092,888
Healthcare plan benefits (b)	456,946	383,818	537,081	507,314	994,027	891,132
Plan settlement cost DB (c)	97,208	-	116,427	-	213,635	-
Total	558,379	383,818	1,620,300	1,600,202	2,178,679	1,984,020
Current	-	-	30,269	-	30,269	-
Non-current	558,379	383,818	1,590,031	1,600,202	2,148,410	1,984,020

	BRAZIL		PARAGUAY		Total	
	2023	2022	2023	2022	2023	2022
Provisions recognized in the statement of income for the years						
Retirement plan benefits	(4,225)	-	134,499	55,159	130,274	55,159
Healthcare plan benefits	(43,287)	(136,900)	(25,866)	183,784	(69,153)	46,884
Plan settlement cost DB	(85,376)	-	(121,747)	-	(207,123)	-
	(132,888)	(136,900)	(13,114)	238,943	(146,002)	102,043

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

	BRAZIL		PARAGUAY	
	2023	2022	2023	2022
<u>GENERAL DATA</u>				
Active participants	1,317	1,331	1,636	1,547
Retired participants	1,697	1,695	1,796	1,737
Pensioners	332	329	498	466
<u>ECONOMIC ASSUMPTIONS</u>				
Real discount rate (p.a.) - pension plan (*)	5.48%	6.20%	5.23%	4.90%
Real discount rate (p.a.) - healthcare plan (*)	5.48%	6.20%	5.23%	4.90%
Assets expected return rate (p.a.)	9.36%	9.72%	9.44%	9.10%
Real rate of wage developments (p.a.)	3.12%	3.01%	3.50%	3.50%
Real rate of growth in costs (p.a.)	2.00%	2.00%	2.00%	2.00%
Aging factor (p.a.) - healthcare plan	2.4%	2.4%	-	-
Inflation	3.68%	3.31%	4.00%	4.00%
Benefits capacity factor	98.01%	98.20%	-	-
<u>ACTUARIAL ASSUMPTIONS</u>				
General mortality table	AT-2012 (75% Male 25% Female)	AT-2012 (75% Male 25% Female)	AT-2000 at 90%	AT-2000 at 90%
Mortality table of individuals with permanent disability	AT-1983 at 90%	AT-1983 at 90%	AT-1983	AT-1983
Table of new disability benefit vested	Light Weak at 80%	Light Weak	Light Weak	Light Weak
Turnover table	0.09%	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 plans

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. In 2023, the benefit plan administered by FIBRA presented an actuarial deficit and an accounting provision was recognized. 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	
	2023	2022	2023	2022
Fair value of plan assets	1,131,958	941,692	233,663	250,292
Present value of the obligations	(1,222,935)	(992,308)	(1,395,244)	(1,427,019)
Actuarial deficit	(90,977)	(50,616)	(1,161,581)	(1,176,727)
Loans and debt contracts (*)	86,752	86,622	78,362	83,839
Plan settlement cost DB (**)	-	-	116,427	-
Actuarial surplus / (deficit), net	<u>(4,225)</u>	<u>36,006</u>	<u>(966,792)</u>	<u>(1,092,888)</u>

(*) The actuarial reserves exclude the obligation already recognized by ITAIPU for debt contracts with FIBRA and CAJUBI (Note 19.1).

(**) Actuarial provisions are accounted for excluding the plan settlement cost DB obligation, already recognized by CAJUBI as a plan asset in its Financial Statements.

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	
	2023	2022	2023	2022
Fair value of plan assets	-	-	-	-
Present value of the obligations				
Rights due	353,734	305,354	449,498	401,074
Rights falling due	103,212	78,464	87,583	106,240
	456,946	383,818	537,081	507,314
Unrecognized gains (losses)	-	-	-	-
Recorded actuarial liability	456,946	383,818	537,081	507,314

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 2023		Impact	
			Projected scenarios	
			0.5% increase	0.5% decrease
	Discount rate used			
Pension plan - Brazil	5.480%	(4,225)	68,941	(76,526)
Pension plan - Paraguay	5.23%	(966,792)	84,073	(94,058)
Health plan - Brazil	5.48%	(456,946)	26,221	(34,459)
Health plan - Paraguay	5.23%	(537,081)	33,160	(37,059)

c) Settlement of Defined Benefit (DB) plans and creation of new Defined Contribution (DC) plans

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 necessary steps to effect settlement of the current plans and the creation of 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 of Directors requested an update of Phase 1 of contract. 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 bilaterally that the settlement of the pension plans for both margins 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 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.

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 approved by ITAIPU's Board of Directors, through Board of Directors' Resolution RCA-019/2023 on July 12, 2023.

The process was submitted again for analysis by the regulatory agency (Previc), which concluded the approvals of the regulations for the settled Defined Benefit Plan and the creation of the new Defined Contribution Plan on September 27, 2023. The "Settled Proportional Benefit (SPB)" plans and the new "Defined Contribution (DC)" plan will be effective from March 1, 2024.

The settlement of the pension plan in force at Itaipu, in Paraguay, of the "Defined Benefit (DB)" type, the resolution of the actuarial deficit of said plan, as well as the creation of a new pension plan of the "Defined Contribution (DC)" type, both administered by *Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI*, were approved by Itaipu's Board of Directors, through Board of Directors' Resolution RCA-018/2023, of July 12, 2023. The "Settled Proportional Benefit" (SPB) plans and the new Defined Contribution (DC) plan will be effective from January 1, 2024.

On September 30, 2023, the estimated costs for settlement of the DB plans, administered by FIBRA and CAJUBI, were recognized and, at December 31, 2023, the adjustment of the estimated costs due to FIBRA was recognized. The preliminary calculations of CAJUBI's settlement costs, did not show significant variations for the end of the current year.

The estimated settlement costs of the "Defined Benefit (DB)" plan, administered by FIBRA, were recorded as follows:

- i) R\$ 395,863 (three hundred and ninety-five million, eight hundred and sixty-three thousand reais), equivalent to US\$ 70,937 (seventy million, nine hundred and thirty-seven thousand US dollars), at the exchange rate of US\$ 1.00 = R\$ 5.5805, of December 31, 2021, as the cost for settlement of the aforementioned plan, based on the 2021 actuarial valuation and, R\$ 45,688 (forty-five million, six hundred and eighty-eight thousand reais), equivalent to US\$ 9,437 (nine million, four hundred and thirty-seven thousand US dollars), as an adjustment, based on the amounts informed by FIBRA and recorded at December 31, 2023.

- ii) R\$ 36,610 (thirty-six million, six hundred and ten thousand reais), equivalent to US\$ 6,560 (six million, five hundred and sixty thousand US dollars), at the exchange rate of US\$ 1.00 = R\$ 5.5805, of December 31, 2021, referring to the extraordinary monthly contribution, based on the 2021 actuarial valuation and, R\$ 7,546 (seven million, five hundred and forty-six thousand reais), equivalent to US\$ 1,559 (one million, five hundred and fifty-nine thousand US dollars), were reversed as an adjustment, based on the amounts informed by FIBRA and recorded at December 31, 2023.
- iii) the term for payment of the debt is 173 months, based on the duration of the plan;
- iv) both the amount and the term will be recalculated after the actual settlement of the plan and adjusted through a contractual amendment.

The estimated settlement costs of the “Defined Benefit (DB)” plan, administered by CAJUBI, were recorded as follows:

- i) G. 792,701,404 (seven hundred and ninety-two billion, seven hundred and one million, four hundred and four thousand guaranis), equivalent to US\$ 114,195 (one hundred and fourteen million, one hundred and ninety-five thousand US dollars), at the exchange rate of US\$ 1.00 = G. 6,941.65, of December 31, 2020, as the cost for settlement of the aforementioned plan, based on the 2020 actuarial valuation;
- ii) G. 55,305,008 (fifty-five billion, three hundred and five million and eight thousand guaranis), equivalent to US\$ 7,552 (seven million, five hundred and fifty-two thousand US dollars), at the exchange rate of US\$ 1.00 = G. 7,322.90, of December 31, 2022, related to the mandatory monthly contribution, based on the 2022 actuarial valuation;
- iii) the term for payment of the debt is 180 months, based on the duration of the plan;
- iv) both the amount and the term will be recalculated after the actual settlement of the plan and adjusted through a contractual amendment.

20. PROVISION FOR LAWSUITS

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

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

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

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

	2023			2022		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Current						
Tax	4,935	-	4,935	4,041	-	4,041
Civil	31	-	31	10	-	10
Commercial	(3)	70	67	4	69	73
Labor	6,026	5,127	11,153	5,600	2,937	8,537
	10,989	5,197	16,186	9,655	3,006	12,661
Non-current						
Tax	3,727	-	3,727	4,036	-	4,036
Civil	93	-	93	21	-	21
Commercial	140,353	135	140,488	115,774	1,907	117,681
Labor	3,430	4,814	8,244	2,681	4,778	7,459
	147,603	4,949	152,552	122,512	6,685	129,197
Total	158,592	10,146	168,738	132,167	9,691	141,858

Changes in the balances of provisions for lawsuits were:

	<u>Tax</u>	<u>Civil</u>	<u>Commercial</u>	<u>Labor</u>	<u>Total</u>
Balance at 12/31/2022	8,077	31	117,754	15,996	141,858
Brazil					
(+) Additions	1,902	97	15,507	856	18,362
(-) Write-offs/reversals	(1,969)	(6)	(294)	(351)	(2,620)
Exchange rate change	652	2	9,362	683	10,699
Paraguay					
(+) Additions	-	-	2,693	2,201	4,894
(-) Write-offs/reversals	-	-	(4,484)	(27)	(4,511)
Exchange rate change	-	-	17	39	56
Balance at 12/31/2023	8,662	124	140,555	19,397	168,738

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

	<u>2023</u>			<u>2022</u>		
	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>
Tax	2,259	-	2,259	1,859	-	1,859
Civil	44	381	425	37	583	620
Commercial	47,744	4,849	52,593	39,942	169	40,111
Labor	99	8,579	8,678	291	9,224	9,515
Environmental	80	126	206	-	125	125
Total	50,226	13,935	64,161	42,129	10,101	52,230

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

i) Tax lawsuits

In Brazil, 44 (forty-four) tax lawsuits (administrative proceedings and tax foreclosures) to which ITAIPU is a party (plaintiff or defendant), include those related to alleged non-payment of social security contribution on payroll or withholdings as a secondary obligor in service agreements on subcontracting of works. Some proceedings are at the administrative level and others at the judicial level. In 2023, the change in the provisioned amounts was made following a review of risks and amounts, in addition to the write-off and reversal of amounts.

There are no tax lawsuits in progress in Paraguay.

ii) Civil lawsuits

In Brazil, 185 (one hundred and eighty-five) 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 2023, the change in the provisioned amounts was made following an adjustment to amounts and review of risks.

In Paraguay, 29 (twenty-nine) 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, 79 (seventy-nine) 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 2023, the change in the provisioned amounts was made following a review of amounts and the write-off and reversal of amounts.

In Paraguay, the 16 (sixteen) 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 550 (five hundred and fifty) 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 11 (eleven) class actions filed by trade unions representing employees. In 2023, 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, 254 (two hundred and fifty-four) labor lawsuits are in progress with claims mainly referring to salary levels, lawsuits for annulment of dismissal and readmission, filed by former employees of ITAIPU, and, in some specific cases, retired employees.

v) Environmental lawsuits

In Brazil, the 102 (one hundred and two) 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. There are also class lawsuits filed by a fishermen colony alleging losses when the level of water in the reservoir lowers during dry spells. 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 4 (four) environmental lawsuits in progress refers to accusations and lawsuits for supposed breaches of Paraguayan environmental Laws, to protect ITAIPU's environmental heritage, consistent with the recovery of environmental preservation and conservation area, which are possibly affected by third party's actions.

21. OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
Agreements (i)	306	306
Contractual retentions	1,235	1,243
Sundry creditors	<u>3,981</u>	<u>2,146</u>
Total	<u>5,522</u>	<u>3,695</u>
Current	<u>3,578</u>	<u>1,566</u>
Non-current	<u>1,944</u>	<u>2,129</u>

- (i) Includes appeals pending execution by ITAIPU, linked to the Agreements and Terms of Cooperation, entered into with several bodies (Note 10).

22. CAPITAL

Pursuant to the Treaty and Attachment "A" - Bylaws, the capital of ITAIPU is equivalent to US\$ 100,000, unchanged since August 13, 1973, the date of execution of the Instrument of Ratification of the Treaty, 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".

23. OPERATING REVENUES

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

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

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

The Unit Cost of Electricity Service for 2023 was defined by the proper authorities on April 17, 2023. 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 2023 totaled US\$ 2,433,310, which corresponds to 145,620 MW of power, at the rate of US\$ 16.71 per kW of monthly contracted power and, in 2022, it 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.

The energy linked to the contracted power delivered in 2023 was 75.1 million MWh and 63.6 million MWh in 2022.

The total energy supplied to the Purchasing Entities in the year 2023 amounted to 83.4 million MWh and 69.5 million MWh in 2022.

	2023			2022		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Contracted power	1,988,865	434,445	2,433,310	2,570,133	451,482	3,021,615
Remuneration for electricity assignment	273,336	-	273,336	218,445	-	218,445
Royalties and reimbursement for energy additional to the one tied to the contracted power	15,784	46,527	62,311	1,070	43,252	44,322
Total	2,287,985	480,972	2,768,957	2,789,648	494,734	3,284,382
Billed power - MW	119,621	25,999	145,620	123,862	21,758	145,620
Bound energy delivered - MWh	61,811,515	13,323,005	75,134,520	52,392,704	11,194,162	63,586,866
Energy supplied - MWh	63,920,431	19,514,671	83,435,102	52,527,147	16,964,682	69,491,829

24. OPERATING EXPENSES - REMUNERATION AND REIMBURSEMENTS

These include the remuneration and reimbursement as provided for in Attachment "C" to the Treaty and the Reverse Notes (see Note 15 and Attachment I - Notes to Statement of Operating Account), the amounts below were generated in 2023 and 2022, 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.

	2023			2022		
	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	(25,122)	(25,122)	(50,244)	(24,967)	(24,967)	(49,934)
Subtotal	(31,122)	(31,122)	(62,244)	(30,967)	(30,967)	(61,934)
Royalties						
Principal	(108,466)	(108,466)	(216,932)	(90,339)	(90,339)	(180,678)
US Dollar adjustment	(182,493)	(182,493)	(364,986)	(151,415)	(151,415)	(302,830)
Subtotal	(290,959)	(290,959)	(581,918)	(241,754)	(241,754)	(483,508)
Reimbursement of management and supervision charges						
Principal	(8,344)	(8,344)	(16,688)	(6,949)	(6,949)	(13,898)
US Dollar adjustment	(14,038)	(14,038)	(28,076)	(11,648)	(11,648)	(23,296)
Subtotal	(22,382)	(22,382)	(44,764)	(18,597)	(18,597)	(37,194)
Remuneration for electricity assignment						
Principal	-	(101,911)	(101,911)	-	(81,616)	(81,616)
US Dollar adjustment	-	(171,425)	(171,425)	-	(136,829)	(136,829)
Subtotal	-	(273,336)	(273,336)	-	(218,445)	(218,445)
Total	(344,463)	(617,799)	(962,262)	(291,318)	(509,763)	(801,081)

25. OPERATING EXPENSES - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of all expenses attributable to the venture, and represent all operating costs, maintenance and administration, as well as all expenditures under social and environmental programs.

	<u>2023</u>	<u>2022</u>
Personnel		
Remuneration	(221,832)	(207,936)
Benefits	(157,766)	(135,928)
Pension plan settlement cost (Note 19)	(207,123)	-
Social charges	(34,179)	(31,980)
Indemnities (Note 18)	(41,272)	(39,600)
(Formation) and reversal of provisions	(6,380)	(67,965)
	<u>(668,552)</u>	<u>(483,409)</u>
Materials		
Consumption materials	(29,980)	(24,829)
Materials used in social and environmental actions	(1,950)	(4,106)
	<u>(31,930)</u>	<u>(28,935)</u>
Third-party services		
Services applied on social and environmental actions	(25,440)	(23,303)
Maintenance services	(18,578)	(16,743)
Consultancy and audit	(3,682)	(4,228)
Insurance	(3,896)	(3,332)
Other third-party services	(58,413)	(51,278)
	<u>(110,009)</u>	<u>(98,884)</u>
Provisions - (Formation) / Reversals		
Related to pension and health plans (Note 19)	61,121	102,043
Related to lawsuits (Note 20)	(16,126)	(4,450)
	<u>44,995</u>	<u>97,593</u>
Other		
Support to government agencies - ANDE ^(a)	(248,055)	(139,034)
Support to the Brazilian electrical system ^(b)	(157,256)	(170,300)
Other agreements and financial contributions ^(c)	(491,750)	(172,954)
Other expenses	(25,523)	(20,456)
	<u>(922,584)</u>	<u>(502,744)</u>
Total	<u>(1,688,080)</u>	<u>(1,016,379)</u>
Reconciliation - Expenses per function		
Operation, maintenance, and management	(766,320)	(511,146)
Social and environmental responsibility programs	(921,760)	(505,233)
	<u>(1,688,080)</u>	<u>(1,016,379)</u>

In 2003, Itaipu changed its mission, incorporating social and environmental responsibility into its strategic objectives permanently, in addition to the electricity generation activity. This change in its mission was ratified by the exchange of Reverse Notes between the governments of Brazil and Paraguay in 2005.

In line with its corporate mission, Itaipu can sign agreements with public entities, as well as with civil society organizations, aiming to expand the impact of its actions and contribute to sustainable development in Brazil and Paraguay. These programs are aligned with the guidelines of the aforementioned reverse notes agreed upon between Brazil and Paraguay (High Contracting Parties), which Itaipu adopted following consensus government resolutions. The interpretations regarding the jurisdiction and validation of the aforementioned notes are the responsibility of the High Contracting Parties and/or other authorities in the respective countries.

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.

(a) According to Board of Directors' Resolution RCA-004/2023, of April 17, 2023, Itaipu authorized the transfer of funds to ANDE to assist it, aiming to minimize impacts on the Electricity Sector of Paraguay.

(b) Due to the approval of Itaipu's Unit Cost of Electricity Service (Tariff) of US\$ 16.71/kW per month (sixteen US dollars and seventy-one cents per kilowatt of contracted monthly power), Board of Directors' Resolution RCA-004/2023, of April 17, 2023, approved the transfer of funds to ENBPar, to assist in Itaipu's electricity trading account, aiming to minimize impacts on the Brazilian Electricity Sector from January to April 2023. In 2022, there were transfers of the same nature, which occurred more significantly in the second half of the year (from August onwards).

(c) Social and environmental responsibility programs - agreements and contributions

	2023	2022
ITAIPU Mais que Energia ⁽¹⁾	188,895	-
Social and Regional Sustainability ⁽²⁾	141,534	52,206
Regional Infrastructure and Development Support	33,398	70,976
Biodiversidade Nosso Patrimônio	29,194	18,376
Support to Education	19,780	7,330
Health on the Border	19,033	4,192
Itaipu Technological Park - PTI - PY	18,313	219
Sustainability Education	7,749	894
Vulnerable Segments Sustainability	7,595	499
Socio-assistance Support	7,125	3,308
UNILA Implementation Support	6,800	-
Other	12,334	14,954
	491,750	172,954

(1) On July 21, 2023, the Board of Directors of Itaipu, through Resolution RCA-020/2023, authorized the contracting of Caixa Econômica Federal to provide operational management services for signed Transfer Instruments for the execution of Itaipu's Social and Environmental Projects, as a voluntary transfer, effective for 60 (sixty) months.

Caixa Econômica Federal is responsible for the operational management of transfer instruments for agreements entered into with municipalities, which includes assessing the technical documentation and monitoring the execution of activities and payment to suppliers, ensuring the correct investment of the funds.

The “Itaipu Mais que Energia” Program promotes actions aimed at water security, territorial and energy development, in addition to strongly supporting the improvement of environmental and social conditions existing in this territory, in line with the United Nations Sustainable Development Goals (SDGs).

Municipalities had until September 30, 2023 to register their project proposals related to this action. On November 6, 2023, the result of the municipalities with approved projects was published, a total of 429, in the States of Paraná and Mato Grosso do Sul. Caixa Econômica Federal contacted each of these municipalities to assess the documentation and formalize the transfer instruments. Events related to contractual obligations were recognized in the statement of income for the year, considering their approvals, contractual formalizations, communication with the respective municipalities and transfer of funds.

The transfers made during 2023 totaled R\$ 929,630 (nine hundred and twenty-nine million, six hundred and thirty thousand reais), equivalent to US\$ 188,895 (one hundred and eighty-eight million, eight hundred and ninety-five thousand US dollars).

(2) This program comprises the Entity's institutional support actions for populations in regions of interest in Brazil and Paraguay, which are in a situation of limited economic and social growth, to promote social and economic development. The most significant transfers in the period comprise the agreement to finance the project for the construction of the international bridge over the Paraguay River to unite the cities of Carmelo Peralta, in Paraguay, and Porto Murtinho, in Brazil, and agreements to support the strengthening of the Department Public Management and Citizen's Security in Paraguay.

26. OTHER INCOME (EXPENSES)

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

	<u>2023</u>	<u>2022</u>
Sundry revenues		
Disposals	2,183	1,772
Real estate occupancy rates	1,243	1,249
Interest, contractual fines and other	11,395	948
	<u>14,821</u>	<u>3,969</u>
Sundry expenses		
Write-off of assets and facilities	(11,930)	(8,019)
Expected credit losses	12	(1,376)
Bank and fine expenses	(15)	(51)
Other expenses	(14)	(1)
	<u>(11,947)</u>	<u>(9,447)</u>
	<u>2,874</u>	<u>(5,478)</u>

27. FINANCE RESULT

	<u>2023</u>	<u>2022</u>
Finance income		
Income from interest on bank deposits (Notes 5 and 29)	71,851	45,068
Monetary restatement of judicial deposits (Note 11)	1,268	1,447
Late payment charges on billings (Note 6)	9,241	2,664
Inflation adjustments	-	99,156
Other finance income	26	38
	<u>82,386</u>	<u>148,373</u>
Finance costs		
Finance charges on borrowings and financing (Note 14)	(27,337)	(81,684)
Monetary restatement of judicial deposits (Note 11)	(2,902)	-
Inflation adjustments (Note 27.1)	(39,962)	-
Other finance costs	-	(3)
	<u>(70,201)</u>	<u>(81,687)</u>
	<u>12,185</u>	<u>66,686</u>

27.1 FINANCE RESULT - INFLATION ADJUSTMENTS

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

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

	<u>2023</u>	<u>2022</u>
Borrowings and financing		
CAJUBI	(3,219)	(1,750)
FIBRA	(10,572)	(11,957)
	<u>(13,791)</u>	<u>(13,707)</u>
Other exchange rate changes		
Current assets	37,645	12,179
Non-current assets	2,134	1,752
Current liabilities	(2,390)	(229)
Non-current liabilities	(63,560)	99,161
	<u>(26,171)</u>	<u>112,863</u>
	<u>(39,962)</u>	<u>99,156</u>

28. INSURANCE

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

- a) Insurance for all goods installed in the 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\$ 330,638
ii) Vehicles	Civil and hull liability - US\$ 220,473
iii) Personal Tourists Accident	Death, disability, medical and hospital expenses
iv) Management civil liability - D&O	US\$ 10,000
v) Aircraft	US\$ 5,836
Vi) Group life	To the employee: 30 basic salaries, limited to 15 salaries at the highest level of the ITAIPU's salary scale. For the spouse: 50% of coverage, limited to 5 salaries at the highest level of the ITAIPU's salary scale.

29. FINANCIAL RISK MANAGEMENT

1. Financial risk factors

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

a) Market risk

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

(i) Foreign exchange risk:

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

ITAIPU has commitments to pay royalties, yields from capital, reimbursement of management and supervision charges, and a borrowing contract in US dollars, 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 made, as a consequence of the changes in the market interest rates.

ITAIPU has a borrowing contract with floating rate, 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, plus 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, 2023 and 2022, there were balances pending (Note 6).

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

c) Liquidity risk

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

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

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

The undiscounted financial liabilities, classified by maturity, in 2023 and 2022, 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>
At December 31, 2023				
Borrowings and financing	251,095	-	-	-
Remuneration and reimbursements	765,323	-	-	-
Suppliers	144,367	-	-	-
At December 31, 2022				
Borrowings and financing	272,748	279,212	87,930	182,681
Remuneration and reimbursements	641,009	-	-	-
Suppliers	73,352	-	-	-

2. Financial instruments

Financial assets held:

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

Financial liabilities maintained:

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

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

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

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

In Brazil, the interest-earning bank deposits are made in Reais, obtaining an effective weighted average yield of 13.05% p.a. in 2023 and 12.58% p.a. in 2022, 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 2023 effective weighted average yield of investments in Guaranis was 4.36% p.a. and 1.97% p.a. in 2022; for investments in US dollars in 2023 it was 2.78% p.a. and 0.52% p.a. in 2022. 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 2023, 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.

30. RELATED PARTIES

The more significant related-party transactions in 2023 and 2022 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:

	Note	2023				Total
		ENBPAR	ANDE	FIBRA	CAJUBI	
BALANCE SHEET						
ASSETS						
Trade receivables	6	657,380	221,104	-	-	878,484
Agreements	8	-	-	-	-	-
Total		657,380	221,104	-	-	878,484
LIABILITIES						
Borrowings and financing	14	-	-	-	-	-
Remuneration and reimbursements	15	(48,493)	(48,493)	-	-	(96,986)
Pension contributions	17	-	-	(2,595)	(4,654)	(7,249)
Actuarial obligations	19	-	-	(188,185)	(1,161,581)	(1,349,766)
Agreements and others		-	-	-	-	-
Total		(48,493)	(48,493)	(190,780)	(1,166,235)	(1,454,001)
PROFIT (LOSS)						
REVENUES						
Revenue from rendering of services	23	2,287,985	480,972	-	-	2,768,957
Finance income		-	9,242	-	-	9,242
Total		2,287,985	490,214	-	-	2,778,199
EXPENSES						
Finance costs		-	-	(9,009)	(6,973)	(15,982)
Remuneration and reimbursements	24	(53,504)	(53,504)	-	-	(107,008)
Pension contributions		-	-	(17,846)	(38,207)	(56,053)
Actuarial expenses	19	-	-	(89,601)	12,752	(76,849)
Agreements and others		(157,256)	(248,055)	-	-	(405,311)
Total		(210,760)	(301,559)	(116,456)	(32,428)	(661,203)

	Note	2022				Total
		ENBPARG	ANDE	FIBRA	CAJUBI	
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	14	-	-	(86,622)	(83,839)	(170,461)
Remuneration and reimbursements	15	(45,962)	(45,203)	-	-	(91,165)
Pension contributions	17	-	-	(2,558)	(7,580)	(10,138)
Actuarial obligations	19	-	-	-	(1,092,888)	(1,092,888)
Agreements and others		(10,300)	(3,061)	-	-	(13,361)
Total		(56,262)	(48,264)	(89,180)	(1,184,307)	(1,378,013)
PROFIT (LOSS)						
REVENUES						
Revenue from rendering of services	23	2,766,813	494,734	-	-	3,261,547
Finance income		-	2,776	-	-	2,776
Total		2,766,813	497,510	-	-	3,264,323
EXPENSES						
Finance costs		-	-	(10,859)	(12,501)	(23,360)
Remuneration and reimbursements	24	(47,086)	(49,564)	-	-	(96,650)
Pension contributions		-	-	(18,142)	(26,955)	(45,097)
Actuarial expenses	19	-	-	-	55,159	55,159
Agreements and others		(170,300)	(139,034)	-	-	(309,334)
Total		(217,386)	(188,598)	(29,001)	15,703	(419,282)

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

Itaipu Health Foundation and Tesai Health Foundation

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

To optimize the use of these hospitals and in accordance with its regional insertion policy, ITAIPU decided to offer hospital services to the communities in the region. This was initiated in November 1994, through the Board of Directors' Resolution RCA 019/94, the Itaipu Health Foundation, a private non-profit organization, which is responsible for managing and operating the Ministro Costa Cavalcanti Hospital - HMCC, in Brazil. Subsequently, in March 1997, through the Board of Directors' Resolution 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 2023 and 2022, are shown below:

	Assets/(Liabilities)		Revenue/(Expenses)	
	2023	2022	2023	2022
1. Contracted services				
a) Itaipuapy Health Foundation	7,229	6,708	(7,396)	(6,860)
a) Tesai Health Foundation	(2,254)	9	(28,978)	(24,771)
b) ITAIPU Technological Park Foundation BR	(1,006)	(3,483)	(2,506)	(4,938)
b) ITAIPU Technological Park Foundation PY	(4)	-	(7)	(73)
2. Agreements and financial contributions				
a) Itaipuapy Health Foundation	(11,339)	(4,959)	(15,948)	(8,728)
a) Tesai Health Foundation	(4,858)	18	(13,404)	(4,684)
b) ITAIPU Technological Park Foundation BR	(10,110)	(468)	(30,740)	(10,178)
b) ITAIPU Technological Park Foundation PY	(2,934)	-	(36,922)	(1,638)
Total				
a) Itaipuapy Health Foundation	(4,110)	1,749	(23,344)	(15,588)
a) Tesai Health Foundation	(7,112)	27	(42,382)	(29,455)
b) ITAIPU Technological Park Foundation BR	(11,116)	(3,951)	(33,246)	(15,116)
b) ITAIPU Technological Park Foundation PY	(2,938)	-	(36,929)	(1,711)
Total	(25,276)	(2,175)	(135,901)	(61,870)

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:

	<u>2023</u>	<u>2022</u>
Remuneration of board members and officers	(7,338)	(5,295)
Social charges	(521)	(493)
Benefits	(1,153)	(987)
	<u>(9,012)</u>	<u>(6,775)</u>

STATEMENT OF OPERATING ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(All amounts in thousands of US Dollars)

	<u>12/31/2023</u>	<u>12/31/2022</u>
REVENUES		
Revenues from rendering of electric power services:		
Contracted power		
Brazilian purchasing entity	1.998.865	2.570.133
Paraguayan purchasing entity	434.445	451.482
Remuneration for electricity assignment	273.336	218.445
Royalties and reimbursement for energy additional to the one tied to the contracted power	62.311	44.322
Total revenues	<u>2.768.957</u>	<u>3.284.382</u>
LESS:		
REMUNERATION FOR ELECTRICITY ASSIGNMENT	<u>(273.336)</u>	<u>(218.445)</u>
COST OF ELECTRICITY SERVICE		
Remuneration and compensation to the High Contracting Parties and the Parties that constitute ITAIPU:		
Yields from capital	(62.244)	(61.934)
Electricity related to contracted power		
Royalties	(524.058)	(442.352)
Reimbursement of management and supervision charges	(40.313)	(34.028)
	<u>(564.371)</u>	<u>(476.380)</u>
Energy additional to the one tied to the contracted power		
Royalties	(57.860)	(41.156)
Reimbursement of management and supervision charges	(4.451)	(3.166)
	<u>(62.311)</u>	<u>(44.322)</u>
	<u>(688.926)</u>	<u>(582.636)</u>
Amortization of borrowings and financing	<u>(241.091)</u>	<u>(1.347.462)</u>
Finance charges on borrowings	<u>(32.729)</u>	<u>(94.089)</u>
Exploration expenses		
Personnel	(458.778)	(424.102)
Materials and equipment	(64.435)	(38.464)
Third-party services	(126.846)	(108.915)
Other exploration expenses	(893.720)	(498.612)
	<u>(1.543.779)</u>	<u>(1.070.093)</u>
Total cost of electricity service	<u>(2.506.525)</u>	<u>(3.094.280)</u>
OPERATING ACCOUNT RESULTS FOR THE PERIOD	<u>(10.904)</u>	<u>(28.343)</u>
Prior-year balance	51.811	80.154
RETAINED EARNINGS FROM OPERATING ACCOUNT	<u><u>40.907</u></u>	<u><u>51.811</u></u>

NOTES TO THE STATEMENT OF OPERATING ACCOUNT**AT DECEMBER 31, 2023 AND 2022**

Attachment "C" to the Treaty of ITAIPU, which contains financial bases and provision of electricity services, states that the Operating Account is 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 tariff, 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 (ENBPar and ANDE), of the following remunerations and reimbursements:
 - i) Yields from Capital: yield of 12% per annum on the participation of Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A. - ENBPar 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 Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A. - ENBPar 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 Reverse Note 10, exchanged between the Brazilian and Paraguayan Ministries of Foreign Affairs on November 13, 2000, according to the following adjustment factors:

Year	Adjustment factor*
2001	2.88105
2002	2.87653
2003	2.97528
2004	3.09679
2005	3.27196
2006	3.40917
2007	3.51997
2008	3.75019
2009	3.58511
2010	3.72859
2011	3.93029
2012	3.97306
2013	4.01223
2014	4.05879
2015	3.92165
2016	3.91005
2017	4.04035
2018	4.18752
2019	4.20262
2020	4.16917
2021	4.59688
2022	5.13943
2023	5.16284

(*) 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 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 integers).

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 integers 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 integers and one-tenth) to 15.30 (fifteen integers and three-tenths).

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

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

Year	Original factor (A)	Adjustment factor (B)*	Adjusted factor (A x B)
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	2.66536	10.66144
2022	15.30	2.66536	40.78000
2023	4.00	2.67214	10.68856
2023	15.30	2.67214	40.88374

(*) 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 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 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, 2023 AND 2022

Enio José Verri
Brazilian General Director

Justo Aricio Zacarías Irún
Paraguayan General Director

Renato Soares Sacramento
Executive Technical Director

Hugo Osvaldo Zarate Chavez
Technical Director

Luiz Fernando Ferreira Delazari
Legal Director

Iris Magnolia Mendoza Balmaceda
Executive Legal Director

Iggor Gomes Rocha
Administrative Director

Justino Oscar Abrahan Caballero
Executive Administrative Director

André Pepitone da Nóbrega
Executive Financial Director

Rafael Demetrio Lara Valenzuela
Financial Director

Carlos Carboni
Coordination Director

Julio Rodrigo Paredes Duarte
Executive Coordination Director

Marcos Paulo Bonamigo
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

Arturo Fernando Abegg Ovelar
Accounting Department Manager
Enrollment No. 776 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, 2023 and the statements of income and of changes in financial position for the year then ended, and notes to the financial statements, including a summary of 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, 2023, 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 and International standards on auditing, and standards on auditing in effect in Paraguay issued by the Council of Public Accountants of Paraguay (hereinafter referred to as "Paraguayan standards"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Entity in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council and the Council of Public Accountants of Paraguay, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Accounting practice adopted in the financial statements

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

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

As described in Note 12, 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. Our opinion is not modified in respect of this matter.



ITAIPU Binacional

Settlement of retirement and pension plans

As mentioned in Note 19, on July 12, 2023, the Entity's Board of Directors approved the settlement of retirement and pension plans based on defined benefit. The purpose of this process was 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. As a consequence, at December 31, 2023, the impact on the estimated costs for the settlement of the defined benefit plans, administered by FIBRA and CAJUBI, was recognized and updated. Our opinion is not modified in respect of this matter.

Social and environmental responsibility programs

As disclosed in Notes 1 and 25, the Entity has sponsored programs classified as social and environmental responsibility programs, supported by reverse notes entered into between Brazil and Paraguay (High Contracting Parties), which indicate that initiatives in the social and environmental responsibility field should be a permanent component of the electricity generation activity. According to the understanding of the Entity's management, interpretations regarding the jurisdiction and validation of these reverse notes are the responsibility of the High Contracting Parties and/or other authorities of each country. Other interpretations about the jurisdiction or validation of these reverse notes, not presently determined, depend on any future interactions between these authorities. 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, 2023, prepared under the responsibility of the Entity's management and presented as supplementary information to the basis of 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 criteria defined in Note 2 to the financial statements. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria defined in Note 2 and are consistent with the financial statements taken as a whole.

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 from material misstatement, 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



ITAIPU Binacional

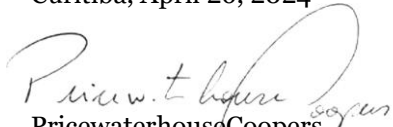
that an audit conducted in accordance with Brazilian, Paraguayan and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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, 2024


PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/F-6

Carlos Alexandre Peres
Contador CRC 1SP198156/O-7

Asunción, April 26, 2024

PricewaterhouseCoopers
Registro de firmas profesionales n° 2

Gastón Scotover
Consejo de Contadores Públicos del Paraguay
Registro de contador público tipo "A" N° 331

PwC Consortium ITAIPU Audit Project

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7238E6875976BFCADEC0C31D00E4E6E7C7955FA200D8A1BA23B2E38C0DB21359

O(s) nome(s) indicado(s) para assinatura, bem como seu(s) status em 24/07/2024 é(são) :

Gastón Scotover - 54***30 em 23/07/2024 17:58 UTC-03:00

Nome no certificado: Gaston Scotover

Tipo: Certificado Digital

Carlos Alexandre Peres - 116.***.***-45 em 22/07/2024 23:03
UTC-03:00

Tipo: Certificado Digital