



**FINANCIAL STATEMENTS AS OF
31 DECEMBER 2010 AND 2009**



ATTACHMENT I

(Convenience translation into English from the original previously issued in Portuguese)

NOTES TO THE STATEMENTS OF THE CORE BUSINESS ACCOUNTS

AS OF 31 DECEMBER 2010 AND 2009

Attachment “C” of the ITAIPU Treaty, Financial and Electricity Service Bases, establishes that the core business account consists of the annual balance between revenues and costs from and of electricity supply contracts, determined according to the criteria mentioned below:

a) Revenue

Revenue results from electricity supply contracts entered into pursuant to the letter of commitment signed with Centrais Elétricas Brasileiras S.A. - ELETROBRÁS in BRAZIL, and the letter of partnership signed with Administración Nacional de Electricidad - ANDE in PARAGUAY according to item IV of Attachment “C” of the Treaty. The annual revenue must be equal to the cost of electricity service.

The Board of Directors of ITAIPU BINACIONAL is in charge of setting the electricity service unit cost in accordance with the terms established on the signed documents.

b) Cost of electricity service

In accordance with item III of Attachment “C” of the ITAIPU Treaty and Reversal Notes No. 3 and 4 of 28 January 1986 and No. 10 of 13 November 2000 exchanged between the Ministry of Foreign Relations of BRAZIL and PARAGUAY, the cost of electricity service consists of the following:

- Payments and reimbursements of ITAIPU BINACIONAL Contracting Parties, as follows:

Capital earnings - calculated at the annual rate of 12% on the interest of Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and Administración Nacional de Electricidad - ANDE in the paid-in capital. From January 2001 they started to be adjusted according to Reversal Note No. 10 of 13 November 2000.

Royalties - Calculated at the rate of 650 US dollars per gigawatt-hour generated and measured at the hydroelectric power plant. These royalties should not be lower than 18 million dollars annually and are to be paid to each Contracting Party at an equal percentage of 50%.



Reimbursement of administrative and supervision charges - Calculated at the rate of 50 US dollars per gigawatt-hour generated and measured at the hydroelectric power plant. These charges are due in equal parts to Centrais Eléctricas Brasileiras S.A. - EL ETROBRÁS and Administración Nacional de Electricidad - ANDE.

Payment for transfer of power rights - Calculated at the rate of 300 US dollars per gigawatt-hour transferred to the other Contracting Party.

Reversal Notes No. 3 and 4 both of 28 January 1986 and exchanged between the Ministry of Foreign Relations of BRAZIL and PARAGUAY, establish that the amount corresponding to the offset will be included only in the rate to be paid by the party that uses the transferred power.

The amounts of royalties, reimbursement of administrative and supervision charges and payment for transfer of power rights, calculated as mentioned above, were multiplied, beginning in 1992 by factor 4,00. Beginning in 2006, a note exchange agreement between the governments of Brazil and Paraguay established for item III 8 of Attachment "C" of the Treaty that payment for transfer of power rights shall be multiplied by factor 5.10 (five point ten) and remain constant, according to a formula established in Reversal Note No. 3, according to the following adjustment factors:

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



Year	Original factor (A)	Adjustment factor (*) (B)	Adjusted factor (A x B)
2003	4.00	1.53284	6 .13136
2004	4.00	1.59690	6 .38760
2005	4.00	1.68959	6 .75836
2006	4.00	1.76153	7 .04610
2006	5.10	1.76153	8 .98378
2007	4.00	1.81921	7 .27684
2007	5.10	1.81921	9 .27797
2008	4.00	1.94133	7 .76534
2008	5.10	1.94133	9 .90080
2009	4.00	1.84829	7 .39316
2009	5.10	1.84829	9 .42628
2010	4,00	1,92467	7,69868
2010	5,10	1,92467	9,81582

(*) Basis: a annual average inflation rate reported in the United States of America using the Industrial Goods and Consumer Price Index published on the International Financial Statistics magazine.

- Repayment of loans and financing: Refers to contractual obligations settled with companies and financial institutions in Brazil and other countries.
- Finance charges of loans and financing: Represent the charges that, in accordance with the debt renegotiation made with ELETROBRÁS are supported by the Entity's financial capacity. These charges, incurred to the balance sheet date, will be paid to financial companies and institutions in Brazil and abroad.
- Interest that is capitalized in the year and that is incorporated into the debt principal is not included. This interest will be allocated to the service cost only upon actual payment.
- Core business expenses: Consist of all expenses incurred with rendering electricity services including direct operating and maintenance costs, and also replacements caused by normal wear and tear of equipment, insurance, administration and overall costs.
- Accumulated income (loss) from core business activities: Includes the annual income or loss from core business activities, plus or less the prior year's balance.

SUPPLEMENTARY INFORMATION
STATEMENT OF CORE BUSINESS ACCOUNTS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(In US dollars - US\$ 1.00)

	<u>2010</u>	<u>2009</u>
REVENUES		
Revenues from electricity supply contracts		
Brazilian purchasing entity	3.092.564.722	3.105.211.592
Paraguayan purchasing entity	198.447.278	185.800.408
Payment for transfer of power rights	104.496.786	107.990.265
Reimbursement of costs - excess power sold to the other contracting party	55.038.968	83.266.537
	<u>3.450.547.754</u>	<u>3.482.268.802</u>
Payment for transfer of power rights	<u>(104.496.786)</u>	<u>(107.990.265)</u>
COST OF ELECTRICITY SERVICE		
Payments and reimbursements to ITAIPU contracting parties		
Capital earnings	(44.733.476)	(42.812.560)
Royalties	(377.031.035)	(360.170.740)
Reimbursement of administrative and supervision charges	(29.002.387)	(27.705.441)
	<u>(406.033.422)</u>	<u>(387.876.181)</u>
Energia não vinculada		
Royalties	(51.107.613)	(77.318.928)
Reimbursement of administrative and supervision charges	(3.931.355)	(5.947.609)
	<u>(55.038.968)</u>	<u>(83.266.537)</u>
	<u>(505.805.866)</u>	<u>(513.955.278)</u>
Repayment of loans and financing	<u>(1.056.555.509)</u>	<u>(834.865.427)</u>
Finance charges of loans and financing	<u>(1.155.388.632)</u>	<u>(1.222.416.953)</u>
Core business expenses		
Personnel	(460.068.653)	(363.796.532)
Materials and equipment	(31.701.822)	(32.380.420)
Third-party services	(112.676.409)	(84.247.028)
Other core business expenses	(145.762.797)	(211.360.810)
	<u>(750.209.681)</u>	<u>(691.784.790)</u>
Total cost of electricity service	<u>(3.467.959.688)</u>	<u>(3.263.022.448)</u>
ANNUAL INCOME FROM CORE BUSINESS ACTIVITIES	<u>(121.908.720)</u>	<u>111.256.089</u>
Prior year balance	72.305.035	(38.951.054)
ACCUMULATED INCOME (LOSS) FROM CORE BUSINESS ACTIVITIES	<u>(49.603.685)</u>	<u>72.305.035</u>

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

(Convenience translation into English from the original previously issued in Portuguese)



Exhibit II

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(In US dollars - US\$ 1.00)

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Net income	466.547.820	596.334.885
Income adjustments		
Write-off of property, plant and equipment - chattels	15.954.779	4.568.730
Monetary variations - loans	5.105.960	14.369.947
Monetary variations - accrued liabilities	19.692.274	56.490.408
Provisions recorded in liabilities		
Non-capitalizable finance charges	1.154.444.716	1.221.379.726
Accrued liabilities	615.462.605	521.728.759
Adjusted income	2.277.208.154	2.414.872.455
Changes in assets and liabilities		
Change in accounts receivable for services rendered	9.290.352	14.722.153
Change in stockroom supplies	(547.933)	(515.058)
Change in other receivables	(43.437.756)	20.741.796
Change in payments and reimbursements	7.118.083	(35.880.043)
Change in suppliers and others	24.713.969	17.329.818
Change in salaries and social charges	6.245.698	7.280.197
Payment of accrued liabilities	(7.771.313)	(8.553.167)
	(4.388.900)	15.125.696
Operating cash flow, net	2.272.819.254	2.429.998.151
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(49.093.824)	(40.650.385)
Cash and cash equivalents used in investing activities	(49.093.824)	(40.650.385)
FINANCING ACTIVITIES		
Loans and financing	19.587.569	10.177.362
Repayment of loans and financing	(1.056.555.509)	(834.865.427)
Payment of interest on loans and financing	(1.155.388.632)	(1.222.416.953)
Cash and cash equivalents used in financing activities	(2.192.356.572)	(2.047.105.018)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	31.368.858	342.242.748
Cash and cash equivalents at beginning of year	514.324.709	172.081.961
Cash and cash equivalents at end of year	545.693.567	514.324.709
Increase/Decrease in cash and cash equivalents	31.368.858	342.242.748

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

SUPPLEMENTARY INFORMATIONSTATEMENT OF VALUE ADDEDFOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009(In US dollars - US\$ 1.00)

	<u>2010</u>	<u>2009</u>
Revenues		
Energy sales	3.291.012.000	3.291.012.000
Payment for transfer of power rights	104.496.786	107.990.265
Reimbursement of costs - excess power sold to the other contracting party	55.038.968	83.266.537
Sundry revenues and expenses	(10.780.120)	2.101.393
	<u>3.439.767.634</u>	<u>3.484.370.195</u>
(-) Input acquired from third parties		
Materials	12.023.546	10.633.440
Third-party services	102.745.459	76.531.199
Other operating expenses	167.731.834	271.998.257
	<u>282.500.839</u>	<u>359.162.896</u>
WEALTH CREATED	<u>3.157.266.795</u>	<u>3.125.207.299</u>
(+) Value added transferred		
Financial revenues	68.146.460	19.603.092
WEALTH DISTRIBUTED	<u>3.225.413.255</u>	<u>3.144.810.391</u>
WEALTH DISTRIBUTION		
Payment of employees/managers		
Personnel		
Nominal salary	248.009.177	214.113.552
Bonuses	118.485.497	96.428.905
Employee benefits	428.607.040	353.852.808
Post-employment benefits	168.535.361	47.517.713
Expense allowance	6.991.799	5.991.531
	<u>970.628.874</u>	<u>717.904.509</u>
Governments		
INSS (social security contribution) / IPI (Federal VAT) / other	38.320.111	30.765.861
Royalties	428.138.648	437.489.668
Royalties - excess power sold to the other contracting party	104.496.786	107.990.265
	<u>570.955.545</u>	<u>576.245.794</u>
Providers of debt		
Debt charges	1.154.444.716	1.221.379.726
Monetary variations	(14.830.963)	(43.520.133)
Other financial expenses	45	-
	<u>1.139.613.798</u>	<u>1.177.859.593</u>
Providers of equity capital		
Capital earnings	44.733.476	42.812.560
Reimbursement of administrative and supervision charges	32.933.742	33.653.050
	<u>77.667.218</u>	<u>76.465.610</u>
Net income	<u>466.547.820</u>	<u>596.334.885</u>
WEALTH DISTRIBUTED	<u>3.225.413.255</u>	<u>3.144.810.391</u>

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



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STATEMENT OF CORE BUSINESS ACCOUNTS

BDO Auditores Independentes, an audit partnership organized according to Brazilian law, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



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NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010 AND 2009

(Amounts in US dollars)

1. OPERATIONS

ITAIPU (the “Entity”) is a bi-national entity created and ruled by the Treaty signed on 26 April 1973 by the Federative Republic of Brazil and the Republic of Paraguay, referred to herein as Contracting Parties. Its share capital belongs in equal parts to Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and Administración Nacional de Electricidad - ANDE, also referred to herein as Parties, under equal rights and obligations.

The head offices of ITAIPU are located in Brasília – capital of Brazil and in Asunción – capital of Paraguay, and it enjoys tax full exemption in both countries, pursuant to the signed treaty.

The purpose of the Entity is to make use of the water resources of Parana river between Guaira and the mouth of Iguazu River, which belong as a condominium to both countries, by constructing and operating a hydroelectric plant with total available capacity of 12.6 million kW. It generates electricity with social and environmental responsibility, fostering economic, tourist and technological sustained development in Brazil and Paraguay.

ITAIPU officially started its activities on 17 May 1974 and the hydroelectric plant was opened on 25 October 1984. In March 1985 two generating units started operating for energy production in Brazil and Paraguay. In 1991 the first phase of implementation of the generating units was concluded. With the beginning of the operations of the last two generating units, in December 2006 and April 2007, the hydroelectric plant reached 14 million kW of total installed capacity, and established a record in 2008, when it produced 94.7 billion kWh.

ITAIPU is regulated by the rules set forth by the Treaty and Attachments, as mentioned below, and its management bodies comprise a Board of Directors and an Executive Board made up of an equal number of members from each country.

Attachment “A” - ITAIPU’s Bylaws.

Attachment “B” - General description of the facilities designed for the production of electricity and auxiliary constructions.

Attachment “C” - ITAIPU’s rendering of electricity services and financial bases.



2. PRESENTATION OF FINANCIAL STATEMENTS

As established in the ITAIPU's bylaws, the financial statements comprise the Balance Sheet, Statement of Income, Statement of Changes in Financial Position and notes to the financial statements.

As supplementary information, we present the Statement of Value Added, the Statement of Cash Flows and the Statement of Core Business Accounts, exhibits I, II, III and notes to the Statement of Core Business Accounts, attachment I.

The financial statements and supplementary information have been prepared in accordance with accounting practices adopted in Brazil and Paraguay and specific provisions established on the Treaty, its attachments and other official acts.

The main provisions that differ from accounting practices adopted in these countries are:

- i) Depreciation of property, plant and equipment and amortisation of intangible assets are not calculated, as mentioned in note 4.b;
- ii) The Entity's retained earnings are not disclosed in shareholders' equity, being appropriated to "Income (losses) available for offset" in assets (note 12).
- iii) Earnings on equity capital paid to the Parties do not take into consideration the realisation of income and is recorded in liabilities with an offsetting entry operating expenses in the statement of income (note 16);
- iv) The statement of changes in financial position is part of the Entity's financial statements, and the statements of cash flows and of value added are presented as supplementary information; and
- v) ITAIPU does not present the statement of changes in shareholders' equity or the statement of comprehensive income as its shareholders' equity is not subject to changes.

The financial statements are part of the Entity's Annual Report



2.1. Statement of the adjustments and reclassifications resulting from the adoption of new accounting practices

a) Beginning balance sheet as of 01.01.2009:

	US\$		
	Assets	Liabilities	Shareholders' Equity
Balance prior to the adoption of the new practices	<u>20,060,618,090</u>	<u>19,960,618,090</u>	<u>100,000,000</u>
Adjustments and reclassifications	<u>48,785,525</u>	<u>48,785,525</u>	<u>-</u>
Current assets			
Court deposits	29,020,077	-	-
Non-current assets			
Court deposits	19,765,448	-	-
Current liabilities			
Provisions for contingencies	-	29,020,077	-
Non-current liabilities			
Provisions for contingencies	-	19,765,448	-
Balance after the adoption of the new practices	<u>20,109,403,615</u>	<u>20,009,403,615</u>	<u>100,000,000</u>



b) Balance sheet as of 31.12.2009:

	US\$		
	Assets	Liabilities	Shareholders' Equity
Balance prior to the adoption of the new practices	19,724,169,582	19,624,169,582	100,000,000
Adjustments and reclassifications	72,506,899	72,506,899	-
Current assets			
Court deposits	39,868,395	-	-
Non-current assets			
Court deposits	32,638,504	-	-
Current liabilities			
Provisions for contingencies	-	39,868,395	-
Non-current liabilities			
Provisions for contingencies	-	32,638,504	-
Balance after the adoption of the new practices	19,796,676,481	19,696,676,481	100,000,000

3. RELATIONS WITH INDEPENDENT AUDITORS

ITAIPU informs that it has hired the consortium formed by BDO Auditores Independentes – BDO Rubinsztein & Guillén to render external financial statement audit services and that it has no other contract in effect with this consortium or with any one of its companies.



4. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The following accounting practices were adopted to record the Entity's business and financial transactions and prepare its financial statements:

a) Reporting currency

The US dollar is the currency which the Entity uses to record its transactions and present its financial statements, as established in Attachment "A" of the Treaty.

The business and financial transactions conducted in various currencies have their amounts converted into US dollars at the closing market rates disclosed by the Central Banks of Brazil and Paraguay, according to the following criteria:

- Property, plant and equipment, intangible assets and other costs – at the rates of the day prior to that when costs were incurred.
- Capital – at the rates in effect on the dates it is paid in.
- Loans and financing – adjusted in the original currency using the contractual rates and converted into the reporting currency at the exchange rate adopted for the last business day of each month of the calendar year.
- Other asset and liability balances – converted at the rates adopted for the last business day of each month of the calendar year.

Operating revenues from electricity service agreements are calculated and recorded in US dollars and the amounts of the related invoices are received in Brazilian reais or Paraguayan guaranis at the rates in effect on the day before that of receipt.

Capital earnings, royalties, reimbursement of administrative and supervision charges and the payment for transfer of power rights, which are part of the operating expenses, are calculated and recorded in US dollars and paid in Brazilian reais or Paraguayan guaranis at the rates in effect on the day before that of payment.

Operating expenses, financial expenses and sundry expenses, as well as financial revenues and sundry revenues, are translated at the rates of the day prior to that when they were incurred.

b) Property, plant and equipment and intangible assets

Investments in construction works regarding acquisition, construction, assembly and engineering, including general administrative expenses, finance charges levied on funds from third parties, pre-operating expenses on hiring and training personnel during construction period, and apportioned administrative expenses are accounted for at historical cost.



Revenues and reimbursements related to construction works and resulting from tax exemptions and benefits were accounted for during the construction period as cost reduction. As of the start of the operations of the hydroelectric plant, these revenues and reimbursements were allocated to construction work cost and sundry revenues and as of the date the plant became fully operative they started to be recognised as sundry revenues.

ITAIPU does not account for depreciation of property, plant and equipment and amortisation of intangible assets, as the revenue is calculated based on liability charges and because these expenses are not included in the "Cost of Electricity Service", according to Attachment C to the Treaty.

c) Operating revenues

Operating revenues include the amounts earned for rendering electricity services, according to the contracted Power, to ELETROBRAS companies in Brazil and ANDE in Paraguay, pursuant to the letters of commitment and partnership signed to that end, as well as the reimbursement of the energy supplied in excess of the contracted power owned by Brazil.

Payment for transfer of power rights is charged to ELETROBRÁS and credited to the government of Paraguay for the transfer of the power Paraguay is entitled to.

d) Operating expenses

Operating expenses comprise expenses on the operation, maintenance and manage of the hydroelectric plant, and payments and reimbursements to the Contracting Parties and the Parties included in Attachment C to the Treaty and beginning in fiscal year 2005 expenses incurred with social and environmental responsibility programmes, due to Reversal Notes No. 228/05 of the Brazilian Embassy and No. 001/05 of Paraguay's Ministry of Foreign Affairs, both from 31 March 2005. Operating expenses are recognised on the accrual basis.

e) Financial revenues

Financial revenues include earnings on investments in banking institutions, restatement of the guarantee deposits included in the agreement for the rescheduling of Brazilian foreign debt, late payment charges collected on payments of electricity service invoices in arrears, interest accrued on the rescheduling of ANDE's debt related to the rendering of electricity services, and interest resulting from the agreement entered into with ANDE for the construction of the right bank substation.

f) Financial expenses

Financial expenses comprise finance charges on loan and financing agreements, as well as net monetary variations that include monetary restatement and exchange variations arising from transactions established by contract, mainly conducted in Brazilian reais and Paraguayan guaranis and converted into the reporting currency, which is the US dollar as described in item "a" of this note, in addition to finance charges on payments and reimbursements and other financial expenses.



g) Sundry revenues / expenses

Sundry revenues/expenses comprise revenues and expenses arising from the sale of scrap, unusable equipment, occupancy rates, sale of notices of a request for bid proposals, write-off of assets and the like.

h) Post-employment benefits

ITAIPU recognises its employee benefit plan obligations and adopts the following practices:

- i) The cost of the pension scheme and the healthcare programme is calculated by independent actuaries in accordance with the method of projected credit unit, and best estimates about the expected results of investments in funds, salary growth, employees' age of retirement, turnover, mortality, expected costs of health treatments, and others, respecting the specificities of each country.
- ii) The cost of the pension scheme is recognised in the Entity's financial statements, net of the scheme's assets (note 20.a);
- iii) The cost of the health program is fully recognised in the Entity's financial statements (note 20.b).

i) Profit sharing

The Entity recognises profit sharing payments on a cash basis, due to the uncertainty involving these payments.

5. EFFECTS OF INFLATION ON FINANCIAL STATEMENTS

The Entity conducts transactions in several currencies, especially Brazilian reais and Paraguayan guaranis, and they are stated in US dollars. The effects of variations in the purchasing power of these currencies are reflected on the financial statements according to the conversion criteria described in note 4.a, to the extent of the variation of these currencies in relation to the US dollar rate. The amounts accounted for in US dollars remain recorded at historical cost.



a. Inflation rates

	In percentage – %	
	2010	2009
Brazil:		
Amplified Consumer Price Index – IPCA Brazilian Institute for Geography and Statistics	3.1	4.3
General Price Index – IGP-DI Fundação Getúlio Vargas	5.7	(1.4)
Paraguay:		
Consumer Price Index – IPC Central Bank of Paraguay	7.2	1.9
United States of America:		
Average of Industrial Goods and Consumer Price Indexes	4.3	(5.1)

b. Exchange rates per US dollar

As of 31 December	Brazil		Paraguay	
	Exchange rates in Brazilian reais (R\$)	Annual variation - %	Exchange rates in guaranis (Gs)	Annual variation - %
2001	2.3204	18.7	4,660	31.1
2002	3.5333	52.3	7,200	54.5
2003	2.8892	(18.2)	6,100	(15.3)
2004	2.6544	(8.1)	6,240	2.3
2005	2.3407	(11.8)	6,150	(1.4)
2006	2.1380	(8.6)	5,210	(15.3)
2007	1.7713	(17.5)	4,910	(5.7)
2008	2.3370	31.9	4,970	1.2
2009	1.7412	(25.5)	4,630	(6.8)
2010	1.6662	(4.3)	4,591.74	(0.8)



6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the amounts in Brazilian reais and Paraguayan guaranis kept with banks and in cash, the equivalent amounts in US dollars, and also US dollar amounts kept in Paraguayan banks:

	US\$	
	2010	2009
Cash	17,864	20,298
Bank accounts	2,552,425	76,855
Financial investments		
In Brazil		
Caixa Econômica Federal – FIC Ideal RF	3,223	29,791
Caixa Econômica Federal - CDB Flex	138,987,715	64,600,010
Caixa Econômica Federal – TPF	-	25,693,426
Banco do Brasil - CDB DI	393,839,169	403,020,764
Banco do Brasil - Renda Fixa 25 mil	29,398	47,907
	<u>532,859,505</u>	<u>493,391,898</u>
In Paraguay		
Banco Regional	5,774,715	7,837,476
Banco do Brasil	190,055	201,146
Banco Nacional de Fomento	39,199	164,796
Banco Bilbao Vizcaya Argentaria – BBVA	2,873,486	3,490,378
Banco Amambay	26,030	1,764,614
Banco Continental	109,309	4,923,291
Banco HSBC	30,371	1,573,621
Banco Itaú	1,191,037	875,339
Sudameris Bank	29,571	4,997
	<u>10,263,773</u>	<u>20,835,658</u>
	<u>543,123,278</u>	<u>514,227,556</u>
TOTAL	<u>545,693,567</u>	<u>514,324,709</u>



7. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable include receivables from the rendering of electricity services, whose invoices mature as follows: by the 20th day of the second month after generation, by the 30th day of the second month after generation and by the 10th day of the third month after generation. These invoices are issued in US dollars and payable in Brazilian reais or Paraguayan guaranis at the exchange rates in effect on the day before that of payment.

	US\$	
	<u>2010</u>	<u>2009</u>
Purchasing Entities		
Centrais Elétricas Brasileiras S.A.– ELETROBRAS	703,915,061	701,964,636
Administración Nacional de Eletricidad - ANDE	<u>89,685,440</u>	<u>100,926,216</u>
TOTAL	<u>793,600,501</u>	<u>802,890,852</u>
(-) Long-term portions	<u>39,002,146</u>	<u>41,138,334</u>
Current portions	754,598,355	761,752,518

Long-term accounts receivable consist of the renegotiation of ANDE's overdue invoices for the months from January 1999 to February 2001, which are being paid in 240 instalments from July 2002. Monthly interest and charges are calculated on the principal, and billed and received in the month itself.

8. STOCKROOM SUPPLIES

	US\$	
	<u>2010</u>	<u>2009</u>
Materials in deposit	7,129,888	6,579,433
Materials to be classified	<u>196,849</u>	<u>199,371</u>
TOTAL	<u>7,326,737</u>	<u>6,778,804</u>

9. OBLIGATIONS RECEIVABLE

Obligations receivable basically comprise the guarantees maturing in April 2024 that are the Entity's rights. They are in an amount equivalent to the principal of par and discount bonds that have been issued under the agreement for rescheduling Brazil's foreign debt, negotiated by Brazil's Federal Treasury through contract No. 80.



	US\$	
	2010	2009
Security deposits CT- 80	143,763,076	126,663,543
Agreement with ANDE – Substation MD	7,709,921	8,343,613
Agreement with ANDE – T5/R5	1,196,835	-
Recoverable taxes	4,243,242	4,345,544
Notices receivable	3,430,473	31,078
Other	285,014	171,863
TOTAL	160,628,561	139,555,641
(-) Long-term portions	159,894,095	138,810,435
Current portions	734,466	745,206

On 20 August 2010, the second amendment to Agreement No. 5.808/99 was signed by ITAIPU and ANDE for the purpose of establishing rules for the reimbursement to ITAIPU by ANDE of payments made under a loan taken out by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional – CAJUBI (note 15) for the expansion of sectors 3 and 4 of the Right Bank Substation, property of ANDE, including the installation of a Transformer/Regulator of 500/220 kV (T5/R5), associated equipment, civil construction works, electromechanical assembly and executive project.

The reimbursement of all payments made by ITAIPU to CAJUBI will be under the same conditions established in the loan agreement and, if necessary, through offset against ANDE's rights, as set forth in item III.5, Attachment C of ITAIPU's Treaty.

10. COURT DEPOSITS

Court deposits consist of deposits required to file appeals, security deposits, and certificates of bank deposit (CDB) in Brazil, and appeals in Paraguay referring to labour, tax, civil and business lawsuits to which ITAIPU is a party.

	US\$		
	31.12.2010	31.12.2009	01.01.2009
Brazil	78,474,715	75,227,884	50,656,998
Paraguay	3,164,780	3,138,627	2,771,810
TOTAL	81,639,495	78,366,511	53,428,808
(-) Long-term portions	30,166,661	38,498,116	24,408,731
Current portions	51,472,834	39,868,395	29,020,077



As from 2010 all court deposit amounts started to be presented in asset accounts.

Court deposits in Brazil, except CDBs which bear interest according to the rules established upon acquisition, were adjusted in 2010 using the INPC (National Consumer Price Index) for deposits made for tax, civil and commercial lawsuits, and using the FGTS (Severance Pay Fund) adjustment rate for those made for labour lawsuits.

11. OTHER ACCOUNTS RECEIVABLE

	US\$	
	<u>2010</u>	<u>2009</u>
Advances to suppliers	24,326,807	7,017,459
Advances to personnel	1,037,008	1,173,481
Restricted deposits	1,734,117	187,218
Sundry debtors	1,818,430	1,534,691
Deactivations in progress	<u>279,357</u>	<u>166,307</u>
TOTAL	<u>29,195,719</u>	<u>10,079,156</u>

The “Deactivations in progress” caption shows amounts receivable from ITAIPU’s employees for the sale of properties in “A” and “B” residential villages located in Foz do Iguacu, in Brazil, and as from 2010, of the properties that make up residential areas 1, 2, 3, 4 and 8 located in Ciudad del Este, in Paraguay.

12. INCOME (LOSSES) AVAILABLE FOR OFFSET

The “Income (losses) available for offset” account shows ITAIPU's accrued results up to 31 December 2009 and the income reported in the Statement of Income for the year ended 31 December 2010.

	US\$	
	<u>2010</u>	<u>2009</u>
Income from prior years	828,818,259	1,425,153,144
Current net income	<u>(466,547,820)</u>	<u>(596,334,885)</u>
TOTAL	<u>362,270,439</u>	<u>828,818,259</u>

The accumulated amounts recorded in assets result mainly from loan and financing charges that were not covered by electricity rates in the period from 1985 to 1996. Beginning in 1997, with the renegotiation of debts and the withdrawal in 2007 of the Industrial Goods and Consumer Price Indexes used to adjust the contracts signed with Eletrobras and the Federal Treasury (assignment), the electricity rate composition projections (electricity service cost per unit) show that the Entity will have sufficient funds to fulfil its obligations until 2023, when Attachment C of the Treaty shall be reviewed.



13. PROPERTY, PLANT AND EQUIPMENT

	US\$	
	2010	2009
ASSETS AND FACILITIES IN USE		
Production and transmission facilities	16,342,299,515	16,023,158,871
Other facilities	754,516,776	760,146,905
Chattels	107,934,114	102,609,222
Total assets and facilities in use	17,204,750,405	16,885,914,998
CONSTRUCTION IN PROGRESS		
9A and 18A generating units	-	201,480,267
Sundry property, plant and equipment	-	117,547,110
Advances for chattels	4,199,510	3,090,588
Materials for technical reserve	42,577,659	43,174,697
Finance charges	179,399,220	149,261,225
Accrued liabilities	-	-
Total construction in progress	226,176,389	514,553,887
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,430,926,794	17,400,468,885

Property, plant and equipment in use account for 99% of total property, plant and equipment (97% in 2009) and consist of direct costs incurred with constructing the hydroelectric plant and distributing electricity. These costs were originally classified as construction in progress and were transferred to the “in use” caption, according to the physical and accounting assessment of asset items.

Finance charges related to the financing of property, plant and equipment are recognised under construction in progress during the construction period and added to property, plant and equipment in use upon the registry of the asset to which they refer.

Inventories of spare materials to be used directly in property, plant and equipment are accounted for as technical reserve.

Estimated liabilities accounted for under construction in progress up to 2008 consisted of commercial and civil lawsuits directly related to disputes about the construction costs of the hydroelectric plant and considered to be a “probable loss” by the Entity’s legal department (note 21).

In 2009 part of these lawsuits was reclassified as “possible losses” and removed from the provision for lawsuits. The amount referring to the remaining legal suits, was reclassified to income.

In 2010 the works referring to the registry of generating units U9A and U18A were completed, as set forth in DET/FE/FD/0099/10 and DET/TE/TD/0003/10 Instructions, both of 17 November 2010.

The work included counting the physical inventory, preparing the Property Registry, calculating costs and making a physical and accounting reconciliation, and resulted in the transfer of the total cost of the two new generating units, amounting to US\$319 million, acquisition and assembly costs plus finance charges incurred up to the beginning of operations of each unit, from construction in progress to property, plant and equipment in use.



Also in 2010 several unserviceable assets sold, donated and removed from inventory were written off from the books of account. The main write-offs refer to:

- (i) Executive Management's Resolution RDE-306/10 of 18 November 2010 authorising the write-off, by means of a donation for social purposes, of one thousand nine hundred and forty-two (1,942) chattel items, amounting to US\$3 million, used by Fundação de Saúde Itaipu, as set forth in Agreement No. 5.977/99 of 17 December 1999.
- (ii) Executive Management's Resolution RDE-308/10 of 18 November 2010 authorising the write-off of thirteen thousand nine hundred and fifty-seven (13,957) chattel items, amounting to US\$4 million, for the regularisation of assets not found during different physical counts, assured by the Superintendence of Materials and the Superintendence of Corporate Security; and
- (iii) Executive Management's Resolution RDE-155/10 of 9 June 2010 on the disposal of the properties that make up residential areas 1, 2, 3, 4, and 8 in Ciudad del Este, Paraguay.

The net changes in property, plant and equipment in the year, amounting to US\$30,457,909 (US\$51,810,253 in 2009) is as follows:

	US\$	
	2010	2009
Additions to property, plant and equipment in the year		
U9A and U18A generating units	-	368,588
Sundry property, plant and equipment	31,059,247	21,635,852
Chattels	15,950,479	12,581,442
	47,009,726	34,585,882
Economic increases (decreases)		
Technical reserve	(597,038)	1,661,730
Estimated liabilities	-	(83,489,135)
Write-off of property, plant and equipment	(15,954,779)	(4,568,730)
	(16,551,817)	(86,396,135)
Changes in property, plant and equipment	30,457,909	(51,810,253)

As mentioned in note 4.b, ITAIPU does not account for the depreciation of property, plant and equipment.

In December 2010, an action plan was initiated to make the Entity's asset control procedures comply with accounting standards in effect, by means of adjustments in the Manual of Asset and Accounting Control Procedures, mainly to monitor the technological changes in the Electricity Industry, including the new Registry Units (UC) and Addition and Removal Units (UAR), expected to be concluded in April 2011.

After that, ITAIPU will take a general inventory of its property, plant and equipment and make the physical and accounting reconciliation of those assets. To that end, the Entity will hire a specialised consulting firm. Work is expected to begin in 2011 and end by December 2013.



14. INTANGIBLE ASSETS

Intangible assets consist of the expenses inherent to the acquisition of assets lacking physical substance intended for the operation, maintenance and management of the Entity.

	US\$	
	<u>2010</u>	<u>2009</u>
Easement strips	68,914	68,914
Software	<u>18,005,886</u>	<u>15,324,750</u>
TOTAL	<u>18,074,800</u>	<u>15,393,664</u>

As mentioned in note 4.b, ITAIPU does not account for the amortisation of intangible assets.

15. LOANS AND FINANCING

	Curren- cy (3)	Interest rate	Agreement Amount		Debt as of 31 December - US\$ thousand			Amortisation Period		
			Total (in thousand)	Equivalent in US\$ thousand (1)	2010		2009	Beginnin- g	End	Portion
					Current	Long-term				
I - ELETROBRAS										
ECF - 1480/97										
Tranche B - Principal	US\$	7.5	10,250,481	10,250,481	421,784	5,159,284	6,126,909	2001	2023	Monthly
Tranche C - Principal	US\$	4.1	1,780,955	1,780,955	83,500	747,173	911,022	2007	2023	Monthly
ECF - 1627/97										
Principal	US\$	7.5	181,577	181,577	9,931	110,899	124,214	1998	2023	Monthly
ECF - 1628/97										
Principal	US\$	7.5 (Note 4)	211,116	211,116	20,850	232,826	274,527	2007	2023	Monthly
CT - 2607/06										
Principal	US\$	7.5 (Note 4)	6,304	6,304	751	2,189	3,691	2009	2014	Monthly
CT - 2608/06										
Principal	US\$	7.5 (Note 4)	8,004	8,004	1,587	3,836	906	2009	2014	Monthly
CT - 2686/08										
Principal	US\$	7.5	22,343	22,343	-	13,249	7,600	2012	2021	Monthly
					538,403	6,269,456	7,448,869			



II – BRAZILIAN NATIONAL TREASURY

CT-74/93

Brasil Investment Bonds (BIBS)	US\$	6.0	5.612	5,612	395	748	1.524	1999	2013	Half-yearly
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CT-80/92

Foreign debt restructuring (DMLP)	US\$	(Note 2)	918,235	918,235	43,566	302,103	387,298	1997	2023	Half-yearly
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CT-424/TN

Eletrobrás assignment (ECF-1480/97)

Tranche B - Principal	US\$	7.5	-	-	86,955	2,300,441	2,468,175	2001	2023	Monthly
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Tranche C - Principal	US\$	4.1	-	-	30,923	585,713	646,301	2007	2023	Monthly
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CT-425/TN

Eletrobrás assignment (ECF-1480/97)

Tranche B - Principal	US\$	7.5	-	-	192,445	5,089,328	5,460,715	2001	2023	Monthly
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Tranche C - Principal	US\$	4.1	-	-	68,421	1,295,958	1,430,017	2007	2023	Monthly
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					422,705	9,574,291	10,394,030			
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III – OTHER AGREEMENTS

FIBRA - Fundação Itaipu BR de Previdência e

Social care

CT - 7218/03 – Payment in kind	R\$	(Note 5)	6.0	73,911	31,626	3,004	48,647	49,148	2004	2023	Monthly
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CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional

Agreement with no number	US\$	8.0	15,000	15,000	-	2,759	-	2012	2022	Monthly
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TOTAL LOAN AND FINANCING AGREEMENTS

					964,112	15,895,153	17,892,047			
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(1) Translated at the exchange rate in effect on the date of the release and adjusted using the balance sheet date.

(2) Interest rates
6-month Libor, 6.0 and 8.0

(3)
Abbreviations:
R\$ - Reais



Loans and financing in US dollars and other currencies, as shown below, are duly adjusted and include interest and other charges according to contract terms.

Centrais Eléctricas Brasileiras S.A.– ELETROBRÁS and the Brazilian National Treasury signed on 29 December 1998 agreements Nos. 423/TN, 424/TN and 425/TN, for the assignment of part of the receivables that company had from the Entity.

As from 2007 the variation between the annual averages of the Industrial Goods and Consumer Price Indexes, published by the *International Financial Statistics* magazine, used for the adjustment of the agreements entered into with ELETROBRAS and the Brazilian National Treasury (assignment), is no longer applied due to new Law No. 11.480, of 30 May 2007, ruled by decree No. 6265, of 22 November 2007, and by amendments No. ECF- 1480-A/2007, ECF-1627-A/2007 and 1628-A/2007, signed on 27 December 2007 with Centrais Eléctricas Brasileiras S.A.– ELETROBRAS.

On 31 May 2005, the Brazilian National Treasury signed assignment agreement No. 235/05, whereby it assigns and transfers part of the receivables from ITAIPU, in the amount of US\$2,480 million, to Empresa Gestora de Ativos - EMGEA for capital increase. These amounts are originated from contracts Nos. 424/ TN and 425/ TN for the acknowledgement and renegotiation of debts and assignment of receivables as payment in kind. In this fiscal year payments were made in the amount of US\$285,191,182.

The schedule of payments of long-term loans and financing to ELETROBRÁS, Brazilian National Treasury and other financial institutions establishes the following annual repayments:

Year	US\$
2012	1,027,264,419
2013	1,094,289,961
2014	1,162,996,515
2015	1,235,507,679
2016	1,317,666,263
2017- 2023	<u>10,057,428,699</u>
Total	<u>15,895,153,536</u>



The following amounts related to interest and repayments due every year were settled to repay the debt:

	US\$	
	2010	2009
Financing agents		
Eletrobras		
Principal	657,863,174	441,721,333
Charges	486,769,309	526,877,025
	1,144,632,483	968,598,358
Brazilian National Treasury		
Assignment of Eletrobras' receivables		
Principal	355,023,912	344,265,426
Charges	647,918,805	669,144,462
	1,002,942,717	1,013,409,888
Brazilian National Treasury		
Foreign Debt Restructuring		
Principal	41,066,138	46,778,083
Charges	15,419,197	23,359,714
	56,485,335	70,137,797
Fibra		
Principal	2,602,285	2,100,585
Charges	5,281,321	3,035,752
	7,883,606	5,136,337
Total		
Principal	1,056,555,509	834,865,427
Charges	1,155,388,632	1,222,416,953
	2,211,944,141	2,057,282,380



16. PAYMENTS AND REIMBURSEMENTS

Payments and reimbursements consist of amounts due to the Brazilian and Paraguayan governments, as well as to ELETROBRÁS and ANDE, as set forth in ITAIPU's Treaty.

	US\$					
	2010			2009		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Royalties						
Principal	20,963,458	20,963,458	41,926,916	18,365,523	18,365,523	36,731,046
US dollar	119,414,794	119,414,794	238,829,588	119,857,983	119,857,983	239,715,966
adjustment						
Subtotal	140,378,252	140,378,252	280,756,504	138,223,506	138,223,506	276,447,012
Payment for transfer of power rights						
Principal	-	10,361,127	10,361,127	-	8,847,285	8,847,285
US dollar	-	58,383,356	58,383,356	-	59,132,269	59,132,269
adjustment						
Subtotal	-	68,744,483	68,744,483	-	67,979,554	67,979,554
Reimbursement of administrative and supervision charges						
Principal	1,612,574	1,612,574	3,225,148	1,412,732	1,412,732	2,825,464
US dollar	9,185,753	9,185,753	18,371,506	9,219,845	9,219,845	18,439,690
adjustment						
Subtotal	10,798,327	10,798,327	21,596,654	10,632,577	10,632,577	21,265,154
Capital earnings						
Principal	6,000,000	6,000,000	12,000,000	6,000,000	6,000,000	12,000,000
Adjustment	16,305,249	16,305,249	32,610,498	15,449,168	15,449,168	30,898,336
of earnings						
Subtotal	22,305,249	22,305,249	44,610,498	21,449,168	21,449,168	42,898,336
Total	173,481,828	242,226,311	415,708,139	170,305,251	238,284,805	408,590,056



The annual US dollar adjustment on royalties, reimbursement of administrative and supervision charges and the payment for transfer of power rights are settled in twelve instalments from March of the year subsequent to the fiscal year ended. The adjustment of annual capital earnings corresponding to ELETROBRÁS and ANDE is made in a lump sum, on the last business day of the month subsequent to that when the final calculation of the capital earnings adjustment is made. These amounts will necessarily be offset against debts of ELETROBRAS and ANDE to ITAIPU and may be prepaid if cash is available.

17. TRADE ACCOUNTS PAYABLE

	US\$	
	<u>2010</u>	<u>2009</u>
Trade accounts payable	70,112,226	45,644,572
Taxes withheld	<u>8,277,572</u>	<u>8,956,780</u>
TOTAL	<u>78,389,798</u>	<u>54,601,352</u>

18. SALARIES AND SOCIAL CHARGES

	US\$	
	<u>2010</u>	<u>2009</u>
Provision for vacation pay and social charges	36,804,900	33,126,958
Pension fund administrators	8,756,232	7,263,178
Social charges payable	7,528,273	5,105,345
Other	<u>716,232</u>	<u>2,064,458</u>
TOTAL	<u>53,805,637</u>	<u>47,559,939</u>



19. WORKERS' INDEMNITY BENEFITS

	US\$	
	2010	2009
Voluntary redundancy scheme - Brazil	114,149,912	393,121
Termination benefit - Paraguay	230,820,217	209,089,479
TOTAL	344,970,129	209,482,600
(-) Long-term portions	328,497,592	198,836,851
Current portions	16,472,537	10,645,749

In May 2005, top management approved the “Voluntary Redundancy Scheme” – PDI and in December 2007 the “Permanent Voluntary Redundancy Scheme – PPDV” with the purpose of renovating and adjusting the number of staff in Brazil.

As from 2010, according to clause 76 of the Collective Bargaining Agreement – ACT 2009/2010 for the employees hired in Brazil, the Entity started to recognise a provision for the “Permanent Voluntary Redundancy Scheme – PPDV” to recognise the right already vested by employees and to standardise the accounting recognition of the provisions for termination benefits paid to employees from both sides.

Regarding employees hired in Paraguay, ITAIPU has been applying the concept of termination benefits payable for length of service since 1991, as per Paraguay’s labour legislation.

20. POST-EMPLOYMENT BENEFITS

The Entity sponsors a pension scheme for its employees 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.

Contributions are made both by the sponsor and beneficiaries, according to an actuarial study prepared by an independent actuary in compliance with legislation prevailing in Brazil and Paraguay, with the purpose of providing funds sufficient to cover future obligations related to non-vested defined benefits.

The benefits provided for in the pension scheme are the following:

- i) Employees hired in Brazil:
 - a) Supplemental retirement benefits for years of contribution, disability and age;
 - b) Supplemental retirement benefits for beneficiaries entitled to a special pension;
 - c) Allowance paid to a prisoner's dependents;
 - d) Supplemental death pension;



- e) Burial allowance; and
 - f) Annual bonus.
- ii) Employees hired in Paraguay:
- a) Normal and disability pension;
 - b) Special pension;
 - c) Allowance paid to a prisoner's dependents;
 - d) Death pension;
 - e) Burial allowance; and
 - f) Annual bonus.

In addition to sponsoring a pension scheme, ITAIPU supports a healthcare programme for its employees and their dependents, including retirees, pensioners and their dependents from FIBRA and CAJUBI.

Since 2003, ITAIPU has been recording a liability consisting of actuarial obligations resulting from future benefits to employees related to the healthcare programme and as from 2009 to the pension scheme.

To that end, the Entity hires actuaries who produce reports for both programmes, according to international accounting standards.

The obligations recorded in ITAIPU's financial statements for post-employment benefits are the following:



	US\$ thousand					
	BRAZIL		PARAGUAY		TOTAL	
	2010	2009	2010	2009	2010	2009
Liabilities recognised in the balance sheet – long-term						
Pension scheme benefits	-	-	575,996	189,409	575,996	189,409
Health plan benefits	321,651	255,163	271,252	280,320	592,903	535,483
	321,651	255,163	847,248	469,729	1,168,899	724,892
Revenues (expenses) recognised in the statement of income						
Retirement plan benefits	-	-	(385,009)	(189,409)	(385,009)	(189,409)
Health plan benefits	(55,003)	(40,412)	11,404	(124,032)	(43,599)	(164,444)
	(55,003)	(40,412)	(373,605)	(313,441)	(428,608)	(353,853)

The following assumptions were made to assess benefits:

	BRAZIL		PARAGUAY	
	2010	2009	2010	2009
GENERAL DATA				
Active participants	1,529	1,516	1,856	1,835
Retired participants	1,123	1,045	856	777
Pensioners	163	150	182	170
ECONOMIC HYPOTHESES				
Real discount rate (p.a.) - pension scheme	5.75%	6.00%	4.00%	6.00%
Real discount rate (p.a.) - health insurance plan	5.75%	6.00%	5.75%	6.00%
Expected return rate on assets (p.a.)	11.02%	11.28%	14.40%	10.24%
Salary progression rate (p.a.)	2.01%	1.92%	1.92%	2.36%
Cost growth rate (p.a.)	2.00%	2.00%	2.00%	3.00%
Inflation	4.00%	4.00%	10.00%	4.00%
Salary/Benefit capacity factor	98%	98%	95%	95%
ACTUARIAL HYPOTHESES				
Mortality table for people in general	AT-2000 (-10%)	AT-2000 (-10%)	AT-2000	AT-1983
Disabled mortality table	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	Average IAPB-55 and AT- 1983
Disability table	Light weak	Light average	Light average	Light average
Turnover table	0.20%	0.13%	0.50%	0%



a) Pension scheme

In 2009 a provision was set up in the total amount related to the actuarial deficit of the pension scheme of Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional – CAJUBI. In 2010, based on a new actuarial report, this provision was accrued.

For the pension scheme of Fundação ITAIPU BR de Previdência e Assistência Social – FIBRA no provision was accrued in ITAIPU's financial statements due to the actuarial surplus reported in both years.

STATEMENT OF THE ACTUARIAL SURPLUS (DEFICIT) OF THE DEFINED BENEFIT PLAN SPONSORED BY ITAIPU BINACIONAL AMOUNTS IN US\$ THOUSAND				
DESCRIPTION	FIBRA		CAJUBI	
	2010	2009	2010	2009
Fair value of the plan's assets	1,202,190	1,014,053	244,300	304,030
Present value of obligations	(1,119,735)	(932,832)	(820,296)	(493,439)
Actuarial surplus (deficit)	82,455	81,221	(575,996)	(189,409)

The pension scheme information extracted from the Entity's related financial statements are presented below and are translated into US dollars at the exchange rates of 31 December 2010 and 2009.

	US\$ thousand			
	FIBRA		CAJUBI	
	2010	2009	2010	2009
Current value of assets	1,176,995	994,608	245,185	304,029
Mathematical reserves				
Vested benefits	690,639	563,625	358,025	247,229
Future benefits	422,656	366,390	533,431	282,568
(-) Mathematical reserves to be recognised	(26,532)	(24,309)	(30,553)	(24,946)
	1,086,763	905,706	860,903	504,851
Surplus (Deficit)	90,232	88,902	(615,718)	(200,822)

b) Health insurance plan

Actuarial obligations related to health insurance plans are fully recognised in the sponsor's liabilities. These amounts are annually adjusted according to actuarial reports.



STATEMENT OF THE ACTUARIAL ASSESSMENT OF THE OBLIGATIONS RELATED TO THE HEALTH INSURANCE PLAN SPONSORED BY ITAIPU BINACIONAL AMOUNTS IN US\$ THOUSAND

DESCRIPTION	BRAZIL		PARAGUAY	
	2010	2009	2010	2009
Fair value of the plan's assets	-	-	-	-
Present value of obligations				
Receivables already past due	208,122	159,785	166,815	161,490
Receivables falling due	113,529	95,378	104,437	118,830
	321,651	255,163	271,252	280,320
Unrecognised gains (losses)	-	-	-	-
Recognised actuarial liabilities	321,651	255,163	271,252	280,320

21. PROVISIONS FOR TAX, CIVIL AND LABOUR RISKS

The Entity is party to various tax, commercial, labour and civil cases that are at various stages.

ITAIPU classifies the legal proceedings brought against the Entity in Brazil according to the risk of unfavourable outcome assessed by its legal counsellors, in the following manner:

- a) For lawsuits of which an unfavourable outcome is considered probable, provisions are set up; and
- b) For lawsuits of which an unfavourable outcome is considered possible, the related information is disclosed in notes to the financial statements.

ITAIPU accrues provisions for all the legal proceedings brought against the Entity in Paraguay according to the opinion of its legal department.

Accounting provisions accrued for legal proceedings are set up in amounts periodically adjusted, shown in the table below, to represent the best estimate of future disbursement, according to reports issued by the Entity's legal department.



	US\$								
	31.12.2010			31.12.2009			01.12.2009		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Current									
Tax	94,841,990	-	94,841,990	989,146	-	989,146	-	-	-
Civil	52,542,155	1,100,233	53,642,388	136,270,084	-	136,270,084	125,318,751	-	125,318,751
Labour	72,279,431	1,608,008	73,887,439	81,328,778	1,788,652	83,117,430	16,307,659	956,531	17,264,190
	219,663,576	2,708,241	222,371,817	218,588,008	1,788,652	220,376,660	141,626,410	956,531	142,582,941
Long-term									
Tax	20,665,586	-	20,665,586	71,883,524	-	71,883,524	21,981,367	-	21,981,367
Civil	106,530,500	-	106,530,500	9,247,220	-	9,247,220	83,489,135	-	83,489,135
Labour	24,677,932	26,412,764	51,090,696	25,842,844	25,418,837	51,261,681	21,365,338	22,941,074	44,306,412
	151,874,018	26,412,764	178,286,782	106,973,588	25,418,837	132,392,425	126,835,840	22,941,074	149,776,914
Total	371,537,594	29,121,005	400,658,599	325,561,596	27,207,489	352,769,085	268,462,250	23,897,605	292,359,855

The Entity is also a party to other legal proceedings instituted in Brazil and whose risk of unfavourable outcome is classified as possible, as shown in the table below, for which it accrued a provision, given that it expects to obtain a favourable decision on these lawsuits.

	2010	2009
Tax	7,517	25,844
Civil	161,201,891	154,037,678
Labour	30,008	28,716
	161,239,416	154,092,238

As from 2010 all court deposits made by ITAIPU are classified in assets, as described in note 10.

22. OTHER LIABILITIES

	US\$	
	2010	2009
Contractual withholdings	3,066,703	2,524,675
Sundry payables	3,054,175	2,948,526
Agreements	1,178,992	823,842
Other	360,336	437,640
TOTAL	7,660,206	6,734,683
(-) Long-term portions	3,054,175	2,948,526
Current portions	4,606,031	3,786,157



23. SHARE CAPITAL

According to the provisions of the Treaty and its Attachment “A” – Bylaws, share capital, totalling US\$100 million and unchanged since 13 August 1973, date when the treaty was ratified, is divided in equal and non-transferable parts between Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and Administración Nacional de Electricidad - ANDE.

24. OPERATING REVENUES

Decree No. 4.550 of 27 December 2002 established that from 2003 the sole seller in Brazil of all electricity generated by Itaipu would be Centrais Elétricas Brasileiras – ELETROBRÁS. In Paraguay Administración Nacional de Electricidad – ANDE sells Itaipu electricity.

Revenue from electricity supply contracts totalled US\$3,291,012,000 in 2010 (US\$3,291,012,000 in 2009), which corresponds to sales of 145,620 (**) megawatts of contracted power in the year (145,620 megawatts in 2009).

The rate charged in 2010 was US\$/kW 22.60, the same as in 2009.

The electricity supplied to Purchasing Entities in 2010 was 85,303 GWh (91,239 GWh in 2009).

	Purchasers – US\$ Thousand					
	2010			2009		
	Brasil Eletrobras	Paraguai Ande	Total	Brasil Eletrobras	Paraguai Ande	Total
Electricity supply	3.092.565	198.447	3.291.012	3.105.212	185.800	3.291.012
Payment for transfer of power rights	104.497	-	104.497	107.990	-	107.990
Reimbursement of costs - excess power sold to the other contracting party	38.481	16.558	55.039	65.619	17.648	83.267
Total	3.235.543	215.005	3.450.548	3.278.821	203.448	3.482.269
Contracted power – MW(**)	11.500	635	12.135	11.500	635	12.135
Power owned by each contracting party – GWh(*)	70.925	4.209	75.134	71.205	3.929	75.134
Provided power – GWh(**)	78.031	7.272	85.303	83.891	7.348	91.239

(*) Annual electricity supply plan, calculated by CADOP – Committee for the Management and Operation of ITAIPU’s Electricity Service Purchase and Sale Contracts.

(**) Information on contracted power, power owned by each contracting party and supplied power was not audited.



25. OPERATING EXPENSES – Payments and Reimbursements

Operating expenses consist of the payments and reimbursements provided for in Attachment “C” to the Treaty, due in 2010 and 2009, to Contracting Parties, royalties and payment for transfer of power rights, as well as ELETROBRAS and ANDE, capital earnings and reimbursement of administrative and supervision charges.

	US\$					
	2010			2009		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Capital earnings						
Principal	(6,000,000)	(6,000,000)	(12,000,000)	(6,000,000)	(6,000,000)	(12,000,000)
Adjustment of earnings	(16,366,738)	(16,366,738)	(32,733,476)	(15,406,280)	(15,406,280)	(30,812,560)
Subtotal	(22,366,738)	(22,366,738)	(44,733,476)	(21,406,280)	(21,406,280)	(42,812,560)
Royalties						
Principal	(110,893,416)	(110,893,416)	(221,786,832)	(118,610,782)	(118,610,782)	(237,221,564)
US dollar adjustment	(103,175,908)	(103,175,908)	(206,351,816)	(100,134,052)	(100,134,052)	(200,268,104)
Subtotal	(214,069,324)	(214,069,324)	(428,138,648)	(218,744,834)	(218,744,834)	(437,489,668)
Reimbursement of administrative and supervision charges						
Principal	(8,530,263)	(8,530,263)	(17,060,526)	(9,123,906)	(9,123,906)	(18,247,812)
US dollar adjustment	(7,936,608)	(7,936,608)	(15,873,216)	(7,702,619)	(7,702,619)	(15,405,238)
Subtotal	(16,466,871)	(16,466,871)	(32,933,742)	(16,826,525)	(16,826,525)	(33,653,050)
Payment for transfer of power rights						
Principal	-	(54,130,193)	(54,130,193)	-	(58,555,414)	(58,555,414)
US dollar adjustment	-	(50,366,593)	(50,366,593)	-	(49,434,851)	(49,434,851)
Subtotal	-	(104,496,786)	(104,496,786)	-	(107,990,265)	(107,990,265)
Total	(252,902,933)	(357,399,719)	(610,302,652)	(256,977,639)	(364,967,904)	(621,945,543)

Payments and reimbursements, including capital earnings and US dollar adjustments, are calculated as provided for in Attachment “C” to the Treaty and related reversal notes, as described in the notes to the Statements of the Core Business Account – Attachment I.

26. OPERATING EXPENSES - General and Administrative Expenses

General and administrative expenses consist of all expenses incurred with operating the enterprise and represent all operating, maintenance and management expenses, as well as social and environmental expenses.



	US\$	
	<u>2010</u>	<u>2009</u>
Personnel, materials and services	(665,762,047)	(462,257,635)
Provisions for operating activities	(497,179,151)	(498,734,090)
Social and environmental expenses	(92,734,645)	(120,389,046)
Training	(2,352,359)	(2,475,113)
Other expenses	(33,421,622)	(23,977,382)
	<u>(1,291,449,824)</u>	<u>(1,107,833,266)</u>

27. OTHER REVENUES (EXPENSES)

Other revenues (expenses) arise from the sale of scrap, unusable equipment, occupancy rates, contractual fines, write-off of assets and equipment, bank expenses, discounts granted and the like, as shown below:

	US\$	
	<u>2010</u>	<u>2009</u>
Sundry revenues		
Disposals	2,038,357	222,501
Property occupancy rates	1,754,296	1,669,966
Other	1,979,790	5,199,946
	<u>5,772,443</u>	<u>7,092,413</u>
Sundry expenses		
Write-off of assets and facilities	(15,954,779)	(4,568,730)
Financial expenses	(554,401)	(396,792)
Other	(43,383)	(25,498)
	<u>(16,552,563)</u>	<u>(4,991,020)</u>
	<u>(10,780,120)</u>	<u>2,101,393</u>



28. FINANCIAL EXPENSES – Monetary Variations

	US\$	
	2010	2009
Loans and financing		
FIBRA	5,105,960	14,369,947
Other exchange rate gains (losses)		
Current assets	(32,396,948)	(105,396,243)
Non-current assets	(309,935)	(819,448)
Current liabilities	(68,758)	(7,483,653)
Non-current liabilities	11,238,141	56,490,408
Other accounts	1,600,576	(681,144)
	(19,936,924)	(57,890,080)
	(14,830,964)	(43,520,133)

29. INSURANCE

The main property, plant and equipment in use are insured in accordance with an insurance policy approved by the Entity's Board of Directors in 1992 to guarantee the following coverage:

- a) All risks insurance for all assets installed at the hydroelectric plant in the amount of US\$2, 279,666,379.
- b) Civil liability insurance for the hydroelectric plant in the amount of US\$20,000,000.

As a supplemental coverage, ITAIPU has insurance necessary to cover other risks not directly related to the hydroelectric plant. The policies are taken out according to the location of risks and market conditions of the country where they are, such as: fire insurance for administrative facilities, civil liability and hull marine insurance, insurance for vessels and personal accidents involving tourists visiting Itaipu and group life insurance for the Entity's employees, as below:

Types	Coverage – in US\$
Fires	212.196.366
Vehicles	Civil liability and hull marine insurance – 38,728,841
Group life	For the employee: 30 base salaries, limited to 15 times the highest salary of Itaipu's salary table. For the spouse: 50% of coverage, limited to five times the highest salary of the salary table.
Personal accidents involving tourists	Death, disability, medical and hospital expenses
Vessels	Mandatory insurance for personal damage caused by vessels or by their cargo – DPEM



30. FINANCIAL INSTRUMENTS

The estimated market values of the Entity's financial assets and liabilities are determined by means of information available in the market and suitable valuation methods. However, considerable judgment was required to interpret market information and estimate the most adequate market value. As a result, the estimates presented below are not necessarily indicative of the amounts that could be realised in the current trading market. The use of different market methodologies may have a material effect on estimated market values.

Financial instruments are managed by applying operational strategies, aiming at liquidity, profitability and security. The control policy consists of a permanent tracking of contractual rates versus market rates. The Entity does not invest in derivatives or any other risk assets for speculation purposes.

a) Breakdown of balances

The account balances and market values of financial instruments included in the balance sheet as of 31 December 2010 are identified below:

Description	US\$	
	Book Value	Market Value
		(unaudited)
Assets		
Cash and cash equivalents	2,570,289	2,570,289
Financial investments	543,123,278	543,123,278
Trade accounts receivable	754,598,355	754,598,355
Liabilities		
Loans and financing	16,859,265,569	16,859,265,569
Payments and reimbursements	415,708,139	415,708,139

b) Criteria, assumptions and limitations used in the calculation of market values

(i) Cash and cash equivalents and financial investments

The market values of balances of current accounts and financial investments held with banks approximate their carrying values.

(ii) Accounts receivable

The market value of the balance of accounts receivable approximates their carrying value due to the short-term nature of the instruments.

(iii) Derivatives

The Entity adopts the practice of eliminating market risks by avoiding exposure to exchange rate fluctuations in the short-term using instruments that allow control over such risks. In accordance with its financial policies, the Entity has not been conducting transactions involving financial instruments with speculative purposes. As of 31 December 2010 the Entity did not have any outstanding forward and/or swap contracts.



31. RELATED-PARTY TRANSACTIONS

The most significant related-party transactions conducted by the Entity in 2010 and 2009 consist of the sale of energy, loans, obligations provided for in Attachment “C” to the ITAIPU Treaty and pension fund obligations, as shown below:

	US\$ thousand				
	2010				
	ELETROB S	ANDE	FIBRA	CAJUBI	TOTAL
BALANCE SHEET					
ASSETS					
Trade accounts receivable	703,915	89,685	-	-	793,600
Agreements	-	8,907	-	-	8,907
Total	703,915	98,592	-	-	802,507
LIABILITIES					
Loans and financing	6,807,859	-	51,652	2,759	6,862,270
Payments and reimbursements	33,103	33,103	-	-	66,206
Social security contributions	-	-	3,056	5,700	8,756
Actuarial obligations	-	-	-	575,996	575,996
Total	6,840,962	33,103	54,708	584,455	7,513,228
INCOME (LOSS)					
REVENUES					
Electricity sold to final consumers	3,235,542	215,006	-	-	3,450,548
Financial revenues	-	5,355	-	-	5,355
Total	3,235,542	220,361	-	-	3,455,903
EXPENSES					
Financial expenses	(486,769)	24	(5,281)	(24)	(492,050)
Payments and reimbursements	(38,834)	(38,834)	-	-	(77,668)
Social security contributions	-	-	(20,763)	(20,220)	(40,983)
Actuarial expenses	-	-	-	(385,009)	(385,009)
Total	(525,603)	(38,810)	(26,044)	(405,253)	(995,710)

	US\$ thousand				
	2009				
	ELETROBRA	ANDE	FIBRA	CAJUBI	TOTAL
	S				
BALANCE SHEET					
ASSETS					
Trade accounts receivable	701,965	100,925	-	-	802,890
Agreements	-	8,344	-	-	8,344
Total	701,965	109,269	-	-	811,234
LIABILITIES					
Loans and financing	7,448,869	-	49,147	-	7,498,016
Payments and reimbursements	32,082	32,082	-	-	64,164
Social security contributions	-	-	2,760	4,503	7,263
Actuarial obligations	-	-	-	189,409	189,409
Total	7,480,951	32,082	51,907	193,912	7,758,852
INCOME (LOSS)					
REVENUES					
Electricity sold to final consumers	3,278,821	203,448	-	-	3,482,269
Financial revenues	5	6,782	-	-	6,787
Total	3,278,826	210,230	-	-	3,489,056
EXPENSES					
Financial expenses	(526,877)		(3,036)		(529,913)
Payments and reimbursements	(38,233)	(38,233)	-	-	(76,466)
Social security contributions	-	-	(17,673)	(17,809)	(35,482)
Actuarial expenses	-	-	-	(189,409)	(189,409)
Total	(565,110)	(38,233)	(20,709)	(207,218)	(831,270)



In addition to the transactions above, ITAIPU has as related parties Fundação de Saúde Itaipuapy, Fundação de Saúde Tesai, Fundação Parque Tecnológico ITAIPU Brasil and Fundação Parque Tecnológico ITAIPU Paraguai, due to its significant influence on the management of these entities and to the financial transactions conducted with them, such as the transfer of funds for covering administrative and investment costs.

Fundação de Saúde Itaipuapy and Fundação de Saúde Tesai

Hospital Ministro Costa Cavalcanti – HMCC, in Brazil, and Hospital ITAIPU Margem Direita, in Paraguay, were originally built by Itaipu Binacional to serve only the workers hired to build and operate the hydroelectric plant.

To optimise the use of these hospitals and according to its regional insertion policy, ITAIPU decided to offer these hospitals' services to the region's communities. To that end, in November 1994, as per the Board of Directors' RCA Resolution No. 019/1994, it set up a not-for-profit private law entity in charge of managing and operating Hospital Ministro Costa Cavalcanti – HMCC in Brazil. Subsequently, in March 1997, as per the Board of Directors' RCA Resolution No. 004/1997, it set up a not-for-profit private law entity in charge of managing and operating Hospital ITAIPU Margem Direita in Paraguay.

Fundações Parque Tecnológico ITAIPU - FPTI BR and FPTI PY

Established in 2005 in Brazil as per the Board of Directors' RCA Resolution No. 010/2005 and in 2008 in Paraguay as per the Board of Directors' RCA Resolution No. 035/2008, the *Fundações Parque Tecnológico ITAIPU* from both countries have the purpose of understanding and transforming the reality of the three-country region of Iguassu, articulating and encouraging actions aimed at its economic, scientific and technological development, always respecting human beings and focusing on water, energy and tourism solutions.

The purpose of these foundations is to maintain and operate ITAIPU technological complexes contributing towards sustained regional development by carrying out activities that allow institutional, scientific, technological and innovation development, the spread of knowledge, professional training and the setup of companies. To that end, the foundations will work together with public and private academic, research, development and production entities.

Compensation to key management personnel

The compensation, charges and benefits related to key management personnel are listed below:

	US\$ thousand	
	2010	2009
Compensation to directors and board members	6,052	5,106
Social charges	816	644
Benefits	851	708
	<u>7,719</u>	<u>6,458</u>



32. SUBSEQUENT EVENTS

On 2 August 2010, through MERCOSUL/CMC/DEC document No. 07/10, FOCEM approved a project called “Implementation of the 500 kV system in Paraguay: Project for building the 500 kV electric transmission line between Villa Hayes and Itaipu Binacional right bank substation and the Villa Hayes substation and for expanding the right bank substation”, in the amount of five hundred and fifty-five million US dollars (US\$555,000,000), of which four hundred million US dollars (US\$400,000,000) will be contributed by FOCEM, sixty-six million eight hundred and forty-seven thousand US dollars (US\$66,847,000) by Itaipu Binacional and eighty-eight million one hundred and fifty-three thousand US dollars (US\$ 88,153,000) by Administración Nacional de Eletricidad – ANDE.

On 9 September 2010, in Asunción, Itaipu Binacional, the entity in charge of carrying out the project as per article 4 of MERCOSUL/CMC/DEC document No. 07/10, signed with MERCOSUL the “Agreement for financing the fund for the structural convergence of MERCOSUR – COF”, therefore assuming responsibility for carrying out the project and using FOCEM funds.

On 29 March 2011 FOCEM – UTF technical unit granted ITAIPU approval for IA international competitive bidding No. 1780/2010 to engage services related to the implementation of Villa Hayes substation, in Paraguay, and to expand the right bank substation owned by ANDE and located at the hydroelectric plant of ITAIPU.

These proceedings are the result of a Joint Declaration made by the Presidents of Brazil and Paraguay – reaching a new stage in the bilateral relations – and signed on 25 July 2009, whereby they agreed on ITAIPU’s building of a 500 kV transmission line between the right bank substation and Villa Hayes substation and the construction of the latter. Both construction works will be transferred for free to Paraguay.

* * *

(Convenience translation into English from the original previously issued in Portuguese)



STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(In US dollars - US\$ 1.00)

	<u>2010</u>	<u>2009</u>
SOURCES OF FUNDS		
Provided by operations		
Net income	466.547.820	596.334.885
Noncash items		
Long-term monetary variations - loans	4.814.536	13.664.749
Long-term monetary variations - accrued liabilities	19.692.274	56.490.408
Write-offs of property, plant and equipment	15.954.778	4.568.730
	507.009.408	671.058.772
From third parties		
Increase in non-current liabilities	615.462.605	521.728.759
Transfer from current to non-current liabilities	167.367	41.535.875
Transfer from non-current to current assets	3.079.076	15.149.904
Decrease in non-current assets	12.648.253	32.432.299
Received funds - loans	19.587.569	10.177.362
	650.944.870	621.024.199
TOTAL SOURCES OF FUNDS	<u>1.157.954.278</u>	<u>1.292.082.971</u>
APPLICATIONS OF FUNDS		
Investments in property, plant and equipment and intangible assets	49.093.824	40.650.385
Increase in non-current assets	26.318.634	13.701.427
	75.412.458	54.351.812
Transfer from long-term to current liabilities - loans	962.140.993	1.055.614.415
Transfer from long-term to current liabilities - accrued liabilities	15.654.976	118.974.781
	977.795.969	1.174.589.196
TOTAL APPLICATIONS OF FUNDS	<u>1.053.208.427</u>	<u>1.228.941.008</u>
INCREASE IN WORKING CAPITAL	<u>104.745.851</u>	<u>63.141.963</u>
STATEMENT OF CHANGES IN WORKING CAPITAL		
Working capital - end of year		
Current assets - end of year	1.389.021.678	1.333.548.788
Current liabilities - end of year	(1.755.465.992)	(1.804.738.953)
	(366.444.314)	(471.190.165)
Working capital - beginning of year	(471.190.165)	(534.332.128)
Increase in working capital	<u>104.745.851</u>	<u>63.141.963</u>

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

As notas explicativas são parte integrante das demonstrações financeiras

(Convenience translation into English from the original previously issued in Portuguese)



STATEMENT OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(In US dollars - US\$ 1.00)

	Note	2010	2009
OPERATING REVENUES			
	24		
Electricity sold to final consumers		3.291.012.000	3.291.012.000
Payment for transfer of power rights		104.496.786	107.990.265
Reimbursement of costs - excess power sold to the other contracting party		55.038.968	83.266.537
Total operating revenues		3.450.547.754	3.482.268.802
OPERATING EXPENSES			
PAYMENTS AND REIMBURSEMENTS			
	25		
Capital earnings		(44.733.476)	(42.812.560)
Payment for transfer of power rights		(104.496.786)	(107.990.265)
Power owned by each contracting party			
Royalties		(377.031.035)	(360.170.740)
Reimbursement of administrative and supervision charges		(29.002.387)	(27.705.441)
		(406.033.422)	(387.876.181)
Excess power sold to the other contracting party			
Royalties		(51.107.613)	(77.318.928)
Reimbursement of administrative and supervision charges		(3.931.355)	(5.947.609)
		(55.038.968)	(83.266.537)
		(610.302.652)	(621.945.543)
GENERAL AND ADMINISTRATIVE EXPENSES			
	26		
Personnel		(580.341.945)	(394.817.562)
Actuarial liabilities		(428.607.040)	(353.852.808)
Materials		(12.023.546)	(10.633.440)
Third-party services		(102.745.459)	(76.531.199)
Provisions for contingencies		(68.572.111)	(144.881.282)
Other operating expenses		(99.159.723)	(127.116.975)
		(1.291.449.824)	(1.107.833.266)
Total operating expenses		(1.901.752.476)	(1.729.778.809)
RESULTS OF OPERATIONS		1.548.795.278	1.752.489.993
OTHER REVENUES (EXPENSES)			
	27		
Sundry revenues		5.772.443	7.092.413
Sundry expenses		(16.552.563)	(4.991.020)
Total sundry revenues (expenses)		(10.780.120)	2.101.393
FINANCIAL REVENUES			
Financial investment earnings		62.400.097	12.575.940
Late payment charges on energy bills		5.148	25.193
Other financial revenues		5.741.215	7.001.959
Total financial revenues		68.146.460	19.603.092
FINANCIAL EXPENSES			
Non-capitalisable finance charges		(1.154.444.716)	(1.221.379.726)
Monetary variations	28	14.830.963	43.520.133
Other financial expenses		(45)	-
Total financial expenses		(1.139.613.798)	(1.177.859.593)
FINANCIAL LOSS		(1.071.467.338)	(1.158.256.501)
NET INCOME		466.547.820	596.334.885

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

As notas explicativas são parte integrante das demonstrações financeiras

(Convenience translation into English from the original previously issued in Portuguese)



BALANCE SHEETS AS OF 31 DECEMBER 2010 AND 2009

(In US dollars - US\$ 1.00)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2010	31.12.2009	01.01.2009
LIABILITIES				
CURRENT LIABILITIES				
Loans and financing	15	964.112.033	1.059.179.040	838.762.081
Payments and reimbursements	16	415.708.139	408.590.056	444.470.099
Trade accounts payable	17	78.389.798	54.601.352	37.981.897
Salaries and social charges	18	53.805.637	47.559.939	40.279.742
Workers' indemnity benefits	19	16.472.537	10.645.749	8.705.411
Provisions for contingencies	21	222.371.817	220.376.660	142.582.941
Other liabilities	22	4.606.031	3.786.157	3.075.794
TOTAL CURRENT LIABILITIES		1.755.465.992	1.804.738.953	1.515.857.965
NON-CURRENT LIABILITIES				
Loans and financing	15	15.895.153.536	16.832.867.713	17.864.640.017
Labour indemnities	19	328.497.592	198.836.851	170.781.324
Post-employment benefits	20	1.168.898.536	724.892.013	305.598.406
Provisions for contingencies	21	178.286.782	132.392.425	149.776.914
Other liabilities	22	3.054.175	2.948.526	2.748.989
TOTAL NON-CURRENT LIABILITIES		17.573.890.621	17.891.937.528	18.493.545.650
TOTAL LIABILITIES		19.329.356.613	19.696.676.481	20.009.403.615
SHAREHOLDERS' EQUITY				
Share capital	23			
Centrais Elétricas Brasileiras S.A.		50.000.000	50.000.000	50.000.000
Administración Nacional de Electricidad		50.000.000	50.000.000	50.000.000
TOTAL SHAREHOLDERS' EQUITY		100.000.000	100.000.000	100.000.000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19.429.356.613	19.796.676.481	20.109.403.615

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

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BALANCE SHEETS AS OF 31 DECEMBER 2010 AND 2009

(In US dollars - US\$ 1.00)

ASSETS

	<u>Note</u>	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>01.01.2009</u>
CURRENT ASSETS				
Cash and cash equivalents	6	545.693.567	514.324.709	172.081.961
Trade accounts receivable	7	754.598.355	761.752.518	762.406.149
Stockroom supplies	8	7.326.737	6.778.804	6.263.746
Obligations receivable	9	734.466	745.206	743.050
Court deposits	10	51.472.834	39.868.395	29.020.077
Other accounts receivable	11	29.195.719	10.079.156	11.010.854
TOTAL CURRENT ASSETS		<u>1.389.021.678</u>	<u>1.333.548.788</u>	<u>981.525.837</u>
NON-CURRENT ASSETS				
Trade accounts receivable	7	39.002.146	41.138.334	55.206.856
Obligations receivable	9	159.894.095	138.810.435	159.839.018
Court deposits	10	30.166.661	38.498.116	24.408.731
		<u>229.062.902</u>	<u>218.446.885</u>	<u>239.454.605</u>
INCOME (LOSSES) AVAILABLE FOR OFFSET				
Prior years	12	828.818.259	1.425.153.144	2.307.020.087
Current year		(466.547.820)	(596.334.885)	(881.866.943)
		<u>362.270.439</u>	<u>828.818.259</u>	<u>1.425.153.144</u>
PROPERTY, PLANT AND EQUIPMENT				
	13	<u>17.430.926.794</u>	<u>17.400.468.885</u>	<u>17.452.279.138</u>
INTANGIBLE ASSETS				
	14	<u>18.074.800</u>	<u>15.393.664</u>	<u>10.990.891</u>
TOTAL NON-CURRENT ASSETS		<u>18.040.334.935</u>	<u>18.463.127.693</u>	<u>19.127.877.778</u>
TOTAL ASSETS		<u>19.429.356.613</u>	<u>19.796.676.481</u>	<u>20.109.403.615</u>

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

As notas explicativas são parte integrante das demonstrações financeiras



FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Management and Controllers of
Itaipu Binacional

We have audited the financial statements of Itaipu Binacional (the "Entity"), which consist of the balance sheet as of 31 December 2010 and the related statements of income and changes in financial position for the year then ended, in US dollars, as well as a summary of the significant accounting practices and other notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Itaipu Binacional is responsible for the fair presentation and preparation of the financial statements in accordance with specific provisions included in the Treaty of 26 April 1973 (mentioned in note 2) and for the internal controls considered necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the Entity's financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Management and Controllers of
Itaipu Binacional

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITAIPU Binacional as of 31 December 2010, the results of its operations and the changes in its financial position for the year then ended, in accordance with specific provisions included in the Treaty of 26 April 1973 (mentioned in note 2) and set forth on the chart of accounts and standards approved by the Board of Directors of Itaipu Binacional for the preparation of accounting records. These accounting standards differ, in some material respects, from the accounting practices adopted in Brazil and Paraguay, as described in note 2 (i) to (v).

Our audits were conducted with the purpose of issuing an opinion on the financial statements referred to in paragraph 1, taken as whole. The statements of value added, cash flows, and core business accounts for the years ended 31 December 2010, included in exhibits I, II, III and attachment I and presented to provide supplementary information about the Entity, are not required as an integral part of the financial statements. These statements were subjected to the same auditing procedures described in the second paragraph and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Curitiba, 31 March 2011.

Asunción, 31 March 2011.

Marcello Palamartchuk
Engagement Partner
BDO Auditores Independentes

Natalio Rubinsztein
Engagement Partner
BDO Rubinsztein & Guillén

Consortium of BDO Auditores Independentes and BDO Rubinsztein & Guillén



INDEPENDENT AUDITORS' REPORT