



## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

*(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with the accounting practices adopted in Brazil (BR GAAP))*

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## INDEPENDENT AUDITORS' REPORT



BENITEZ CODAS & ASOCIADOS

Audit, Advisory & Consulting

A correspondent firm of  
KPMG International Cooperative ("KPMG  
International")

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

To the Management and Shareholders of  
Itaipu Binacional

We have audited the financial statements of Itaipu Binacional, which comprise the statement of financial position as of December 31, 2014 and the related statements of income and changes in financial position for the year then ended, expressed in United States Dollars, and a summary of significant accounting policies and other explanatory information.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the standards specified in the Treaty of Itaipu of April 26, 1973 (described in note 2) and in its Annexes, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **INDEPENDENT AUDITOR'S RESPONSIBILITY**

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

An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 control. An audit also includes evaluating the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by management, in addition to evaluating the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

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## OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITAIPU Binacional as at December 31, 2014, and its financial performance and changes in financial position for the periods then ended in accordance with the special provisions contained in the Treaty of April 26, 1973 (described in note 2) and the chart of accounts and accounting standards approved by the Board of Directors of ITAIPU Binacional. Those accounting standards differ, in certain material respects, from generally accepted accounting principles in Brazil and Paraguay, as described in note 2(i) and (v).

## EMPHASIS OF MATTER

As discussed in note 20 (a), Caja Paraguaya de Jubilaciones y Pensiones de Personal da la Itaipu Binacional - CAJUBI, the manager of Itaipu Binacional's employee retirement and pension program in Paraguay, reported an actuarial deficit of US\$ 925,903 thousand as at December 31, 2014, for which a provision has been established for the full amount of the deficit. Our opinion is not modified with respect to this matter.

As described in note 32, Itaipu Binacional reiterates its legal opinion that the recent decision by the Brazilian Audit Court (decision 88/2015) is technically flawed in light of article 71(V) of the Federal Constitution, considering that Itaipu has no "national accounts"; and article XXII of the Itaipu Treaty does not require any unilateral oversight by any internal body, whether in Brazil or in Paraguay. Based on information currently available, even if the effects of decision 88/2015 are stayed, uncertainties remain concerning potential developments. Our opinion is not modified with respect to this matter.

## OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph, taken as a whole. The statement of added value, cash flows and operation accounts for the year ended December 31, 2014, contained in tables I, II and III and appendix I, are presented for purposes of additional analysis and are not a required part of the financial statements. These statements have been subjected to the audit procedures described in paragraph four and in our opinion are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Curitiba, March 26, 2015.

Asunción, March 26, 2015.

*Original report in Portuguese signed by*

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## FINANCIAL STATEMENTS



**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 AND 2013**

**(In United States dollars)**

**ASSETS**

	<u>Note</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	6	313,950,465	387,365,027
Trade accounts receivable	7	990,830,029	1,007,320,522
Supplies	8	6,492,486	6,656,848
Obligations receivable	9	3,286,498	3,288,033
Restricted judicial deposits	10	34,520,767	21,106,491
Other accounts receivable	11	39,451,250	63,452,965
<b>TOTAL CURRENT ASSETS</b>		<b>1,388,531,495</b>	<b>1,489,189,886</b>
<b>NONCURRENT</b>			
Obligations receivable	9	218,384,799	200,840,198
Restricted judicial deposits	10	23,890,705	43,953,374
		<u>242,275,504</u>	<u>244,793,572</u>
<b>PROFIT (LOSS)</b>			
	12		
Prior year		(2,131,418,858)	(942,516,046)
Current year		<u>(1,103,817,173)</u>	<u>(1,188,902,812)</u>
		<u>(3,235,236,031)</u>	<u>(2,131,418,858)</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	13	<u>17,469,614,239</u>	<u>17,488,882,033</u>
<b>INTANGIBLE ASSETS</b>	14	<u>24,874,267</u>	<u>22,288,878</u>
<b>TOTAL NONCURRENT ASSETS</b>		<b>14,501,527,979</b>	<b>15,624,545,625</b>
<b>TOTAL ASSETS</b>		<b>15,890,059,474</b>	<b>17,113,735,511</b>

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



**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 AND 2013**

**(In United States dollars)**

**LIABILITIES AND EQUITY**

	<u>Note</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Loans and financing	15	1,246,826,696	1,168,918,872
Compensation and reimbursement	16	684,611,147	713,493,716
Trade accounts payable	17	57,448,803	59,514,157
Payroll and payroll charges	18	62,920,743	58,919,188
Labor indemnities	19	23,386,410	27,505,259
Provisions for claims	21	96,097,905	134,774,746
Other liabilities	22	3,101,176	3,357,166
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>2,174,392,880</u></b>	<b><u>2,166,483,104</u></b>
<b>NONCURRENT</b>			
Loans and financing	15	11,436,343,586	12,675,882,137
Labor indemnities	19	346,449,977	345,044,078
Post-employment benefits	20	1,759,412,051	1,696,400,179
Provisions for claims	21	70,099,686	126,411,007
Other liabilities	22	3,361,294	3,515,006
<b>TOTAL NONCURRENT LIABILITIES</b>		<b><u>13,615,666,594</u></b>	<b><u>14,847,252,407</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>15,790,059,474</u></b>	<b><u>17,013,735,511</u></b>
<b>EQUITY</b>			
Capital	23		
Centrais Eléctricas Brasileiras S.A.		50,000,000	50,000,000
Administración Nacional de Electricidad		50,000,000	50,000,000
<b>TOTAL EQUITY</b>		<b><u>100,000,000</u></b>	<b><u>100,000,000</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>15,890,059,474</u></b>	<b><u>17,113,735,511</u></b>

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



**STATEMENT OF INCOME**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(In United States dollars)

	Note	2014	2013
<b>OPERATING REVENUE</b>	24		
Power supply		3,291,012,000	3,291,012,000
Compensation for equity electricity		318,374,804	377,020,357
Reimbursement of costs - noncontract power		70,975,712	132,328,557
<b>Total operating revenue</b>		<b>3,680,362,516</b>	<b>3,800,360,914</b>
<b>OPERATING EXPENSES</b>			
<b>COMPENSATION AND REIMBURSEMENT</b>	25		
Income on capital		(48,784,814)	(48,139,048)
Compensation for equity electricity		(318,374,804)	(377,020,357)
Contract power			
Royalties		(411,298,648)	(405,933,777)
Reimbursement of management and supervision costs		(31,638,358)	(31,225,674)
		<u>(442,937,006)</u>	<u>(437,159,451)</u>
Non-contract power			
Royalties		(65,906,018)	(122,876,517)
Reimbursement of management and supervision costs		(5,069,694)	(9,452,040)
		<u>(70,975,712)</u>	<u>(132,328,557)</u>
		<b>(881,072,336)</b>	<b>(994,647,413)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	26		
Personnel		(557,502,289)	(558,875,869)
Actuarial provisions		(123,996,093)	(43,921,855)
Materials		(17,901,251)	(16,429,962)
Outsourced services		(101,961,380)	(106,702,421)
Judicial expenses		(50,646,983)	(41,387,322)
Provisions for claims		74,473,567	58,759,955
Others operating expenses		(98,738,803)	(98,286,170)
		<u>(876,273,232)</u>	<u>(806,843,644)</u>
<b>Total operating expenses</b>		<b>(1,757,345,568)</b>	<b>(1,801,491,057)</b>
<b>SERVICE INCOME</b>		<b>1,923,016,948</b>	<b>1,998,869,857</b>
<b>OTHER REVENUE (EXPENSE)</b>	27		
Other revenue		8,881,552	9,628,450
Other expense		(58,584,531)	(24,627,084)
<b>Total other revenue (expense)</b>		<b>(49,702,979)</b>	<b>(14,998,634)</b>
<b>FINANCIAL REVENUE</b>			
Earnings on short-term investments		56,764,473	21,033,597
Interest on overdue bills		2,259,258	3,453
Other financial revenue		3,628,014	4,203,307
<b>Total financial revenue</b>		<b>62,651,745</b>	<b>25,240,357</b>
<b>FINANCIAL EXPENSE</b>			
Capitalizable financial charges		-	(2,322,697)
Non-capitalizable financial charges		(885,738,220)	(958,676,180)
Charges on compensation and reimbursement		(2,108,825)	(2,071)
Monetary variance		55,735,307	140,797,875
Other financial expenses	28	(36,803)	(5,695)
<b>Total financial expense</b>		<b>(832,148,541)</b>	<b>(820,208,768)</b>
<b>FINANCIAL INCOME (LOSS)</b>		<b>(769,496,796)</b>	<b>(794,968,411)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>1,103,817,173</b>	<b>1,188,902,812</b>

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





**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**(In United States dollars)**

	<u>2014</u>	<u>2013</u>
<b>SOURCES</b>		
<b>Operations</b>		
Profit for the year	1,103,817,173	1,188,902,812
Expenses not affecting working capital		
Monetary variance on noncurrent items - loans	(3,087,850)	(3,385,846)
Monetary variance on noncurrent items - estimated liabilities	(70,503,142)	(177,003,049)
Capitalizable charges on noncurrent items	-	2,322,697
Write-off of property, plant and equipment	58,155,422	23,936,521
	<u>1,088,381,603</u>	<u>1,034,773,135</u>
<b>Third parties</b>		
Increase in noncurrent liabilities	254,199,532	138,153,721
Reclassification from current to noncurrent liabilities	13,698,314	66,898,952
Reclassification from noncurrent to current assets	19,419,452	6,610,409
Decrease in noncurrent assets	5,940,119	30,444,499
Funds received - loans	8,660,000	26,049,560
Charges capitalized in property, plant and equipment	(17,203)	-
	<u>301,900,214</u>	<u>268,157,141</u>
<b>TOTAL SOURCES</b>	<u><b>1,390,281,817</b></u>	<u><b>1,302,930,276</b></u>
<b>USES OF FUNDS</b>		
Expenditure on property plant and equipment and intangible assets	41,455,814	36,646,144
Increase in noncurrent assets	22,841,502	18,257,042
Decrease in noncurrent liabilities	184,230,353	147,207,087
	<u>248,527,669</u>	<u>202,110,273</u>
Reclassification from noncurrent to current - loans	1,245,110,701	1,167,727,656
Reclassification from noncurrent to current - estimated liabilities	5,211,614	31,127,522
	<u>1,250,322,315</u>	<u>1,198,855,178</u>
<b>TOTAL USES</b>	<u><b>1,498,849,984</b></u>	<u><b>1,400,965,451</b></u>
<b>DECREASE IN NET WORKING CAPITAL</b>	<u><b>(108,568,167)</b></u>	<u><b>(98,035,175)</b></u>
<b>STATEMENT OF CHANGES IN NET WORKING CAPITAL</b>		
<b>Final net working capital</b>		
Final current assets	1,388,531,495	1,489,189,886
Final current liabilities	(2,174,392,880)	(2,166,483,104)
	<u>(785,861,385)</u>	<u>(677,293,218)</u>
<b>Initial net working capital</b>	<u>(677,293,218)</u>	<u>(579,258,043)</u>
<b>Decrease in net working capital</b>	<u><b>(108,568,167)</b></u>	<u><b>(98,035,175)</b></u>

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



## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

(Expressed in United States dollars)

### 1. NATURE OF OPERATIONS

ITAIPU is a binational entity created and governed under a Treaty entered into on April 26, 1973 by the Federative Republic of Brazil and the Republic of Paraguay ("Contracting States"), each State having equal rights and obligations, and with equity equally owned by Centrais Elétricas Brasileiras S.A. - ELETROBRAS and Administración Nacional de Electricidad - ANDE ("Members").

ITAIPU is dually headquartered in Brasilia, the capital of the Federative Republic of Brazil, and in Asunción, the capital of the Republic of Paraguay, and is fully tax-exempt in both countries under the Treaty.

The Entity was created for the hydroelectric development of the binational stretch of the Paraná river, from and including Guairá Falls to the Iguazu River, through construction and operation of a Hydroelectric Dam with a total installed capacity of 14,000 MW, generating high-quality electrical power in a socially and environmentally responsible manner to support the sustainable economic, touristic and technological development of Brazil and Paraguay.

ITAIPU formally began to operate as an entity on May 17, 1974 and the Hydroelectric Dam was officially commissioned into operation on October 25, 1984. As of March 1985, two generating units were available for power supply to Brazil and Paraguay. The first phase of generating unit construction was completed in 1991. Following commissioning of the last two generating units, in December 2006 and April 2007, the Hydroelectric Dam produced an output of 12,135 MW available for contracting by ELETROBRAS and ANDE.

ITAIPU generated 87.8 billion kWh of electricity in 2014, down from a record 98.6 billion kWh in 2013.

ITAIPU is governed by the rules laid down in the Treaty and its Annexes, as referenced below, and is managed by a Board of Directors and an Executive Committee, each comprising an equal number of members from each country.

Annex "A" - By-laws.

Annex "B" - General Description of Power Generation Facilities and Ancillary Works.

Annex "C" - Financial and Electricity Service Provision Framework.

## 2. PRESENTATION OF THE FINANCIAL STATEMENTS

As set out in the Entity's official documents, the Financial Statements of ITAIPU comprise the Statement of Financial Position, the Statement of Income, the Statement of Changes in Financial Position and the Notes to Financial Statements.

The Statement of Added Value, the Statement of Cash Flows, the Statement of Operation Accounts (tables I, II and III, respectively) and the Notes to the Statement of Operation Accounts (Appendix I) are presented as Supplementary Information.

The Financial Statements and Supplementary Information have been prepared substantially in accordance with Brazilian and Paraguayan generally accepted accounting principles, subject to the relevant provisions of the Treaty, its Annexes and other official documents.

The primary provisions differing from those generally accepted accounting principles are as follows:

- (i) Depreciation of Property, Plant and Equipment and amortization of Intangible Assets are not computed, as discussed in Note 4.b;
- (ii) Profit or loss is not presented under Equity, but in Profit or Loss under Assets (Note 12);
- (iii) Interest on equity paid to Members excludes the realization of profits, is included under Liabilities and represents an operating expense in the statement of income (Notes 16 and 25);
- (iv) The Statement of Changes in Financial Position is an integral part of the Entity's financial statements and the Statements of Cash Flows and Added Value are presented as supplementary information; and
- (v) ITAIPU does not prepare Statements of Changes in Equity or Statements of Comprehensive Income, as its Equity is not subject to change.

The Financial Statements are an integral part of the Entity's Annual Report.

## 3. RELATIONSHIP WITH THE INDEPENDENT AUDITORS

ITAIPU has retained KPMG Auditores Independientes - BCA Benítez Codas & Asociados, a consortium of KPMG Auditores Independientes, headquartered in São Paulo, Brazil, and BCA Benítez Codas & Asociados, headquartered in Asunción, Paraguay, to audit the Financial Statements and internal controls for financial years 2013 and 2014 in accordance with the Sarbanes-Oxley (SOX) Act.

In February 2014 ITAIPU retained KPMG Risk Advisory Services Ltda. to provide limited assurance over the Entity's sustainability reports for financial year 2013 and 2014.

No other contractual relationship is in place with the Consortium or any other of its member firms.

#### 4. DESCRIPTION OF SIGNIFICANT ACCOUNTING PRACTICES

In preparing the Financial Statements the entity has used the following accounting principles in recording its business and financial transactions:

a) Reporting currency

United States dollars have been used as the reporting currency in recording transactions and presenting the Financial Statements, as required in Annex "A" to the Treaty.

Business and financial transactions carried out in different currencies are translated to United States dollars using the closing foreign-exchange rates published by the Central Banks of Brazil and Paraguay, using the following criteria:

- Property, Plant and Equipment, Intangible Assets, and other costs are translated at the rates for the day prior to the date on which the costs were incurred.
- Share capital is translated at the rates prevailing on the dates on which the capital was paid in.
- Loans and financing are restated in the currency of origin by the contractually established indices and translated to the reporting currency at the exchange rate prevailing on the last business day of each calendar month.
- Other balances of assets and liabilities are translated at the rates prevailing on the last business day of each calendar month.

Operating revenue from the provision of electricity service is calculated and recorded in United States Dollars and the relevant invoice payments are received in Reais or Guarani using the foreign-exchange rates prevailing on the date prior to that of receipt.

Income on capital, royalties and reimbursement of management and supervision costs, as well as compensation for equity electricity - all components of operating expenses - are calculated and recorded in United States Dollars and paid in Reais or Guarani at the rates prevailing on the date prior to payment.

Operating expenses, financial expenses and other expenses, as well as financial revenue and other revenue, are translated at the rates for the day prior to the date on which they are incurred.

b) Property, Plant and Equipment and Intangible Assets

Expenditure on works involving procurement, construction, erection and engineering, including general management expenses, financial charges incurred on third-party financing during the construction period, pre-operating expenses on mobilization and training of personnel during the construction period and apportioned management expenses, have been accounted for on a historical cost basis.

Revenue and reimbursements arising from tax incentives and benefits relating to construction works were accounted for during the construction period as a reduction of construction costs. Following the start of initial operation they were apportioned between cost of works and other revenue, and following the start of operation at full capacity as other revenue.

ITAIPU does not account for depreciation of property, plant and equipment or amortization of intangible assets because its revenue is computed based on charges under liabilities, and because these expenses are not part of the Cost of Electricity Service under Annex "C" to the Treaty.

c) Operating Revenue

c) Operating revenue comprises revenue deriving from the provision of electricity service to ELETROBRAS, in Brazil, and ANDE, in Paraguay, under the relevant letters of commitment and agreement, based on each Member's contract demand, as well as reimbursement of the cost of power supply in excess of contract demand.

Compensation for equity electricity, charged to ELETROBRAS and the Brazilian Ministry of Mining and Energy, is credited to the Government of Paraguay in consideration of the transfer of its equity electricity.

d) Operating Expenses

Operating expenses comprise Dam operation, maintenance and management expenses, compensation and reimbursements to the Contracting Parties and Members under Annex "C" to the Treaty and, as from financial year 2005, expenses on social and environmental responsibility programs under Revertive Note 228/05 of the Brazilian Embassy in Asunción and Revertive Note 1/05 of the Paraguayan Ministry of Foreign Affairs, both dated March 31, 2005. Operating revenue is recognized on an accrual basis.

e) Financial Revenue

Financial revenue comprises revenue deriving from short-term investments, monetary restatement of security deposits under the Brazilian foreign debt restructuring agreement (Note 9), interest on overdue electricity service invoices, discounts obtained, interest arising under the agreement with ANDE for construction of the right-bank substation (Note 9) and other financial revenue.

f) Financial Expense

Financial expense comprises financial charges on loans and financing, net monetary variance, which includes monetary restatement and foreign-exchange variance on contractually agreed transactions (particularly transactions in Reais and Guarani, translated to the reporting currency, United States Dollars, as described in (a) of this Note), and financial charges on compensation and reimbursements and other financial expenses.

g) Other revenue / expense

Other revenue / expense comprises revenue and expense deriving from the sale of scrap and unsalvageable equipment, real estate usage fees, sale of procurement documentation, write-off of assets and other similar revenue and expense.

h) Post-employment benefits

ITAIPU recognizes its liabilities deriving from employee benefit plans using the following practices:

- i) The cost of ITAIPU's retirement and pension plan and health plan is calculated by independent actuaries using the projected credit unit method and best estimates of the expected performance of plan investments in funds, payroll growth, employee retirement age, employee turnover, mortality, medical treatment costs, and other estimates reflecting the particularities of each country;
- ii) Retirement and pension plan costs are recognized in the Entity's Financial Statements net of plan assets (Note 20.a);
- iii) Health plan costs are fully recognized in the Entity's Financial Statements (Note 20.b).

i) Profit Sharing

Profit-sharing payments to employees are recognized on a cash basis due to the uncertainty involved in such payments and because a reliable estimate cannot be made of the amount of the liability under the Profit-Sharing Target Agreement signed for each period.

## 5. FOREIGN-EXCHANGE VARIANCE EFFECTS ON THE FINANCIAL STATEMENTS

The Entity's transactions in different currencies, and particularly Reais and Guarani, are recorded in United States Dollars as the reporting currency.

The effects of changes in the buying power of these currencies are reflected in the Financial Statements using the translation criteria described in Note 4.a, to the extent that they vary from the quoted United States Dollar rate.

As at December 31	<u>United States Dollar Exchange Rate</u>			
	Brazil		Paraguay	
	Into Reais (R\$)	Annual change - %	Into Guarani (Gs)	Annual change - %
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)
2011	1.8758	12.6	4,505.95	(1.9)
2012	2.0435	8.9	4,252.54	(5.6)
2013	2.3426	14.6	4,610.91	8.4
2014	2.6562	13.4	4,642.16	0.7

Amounts recorded in United States Dollars are recognized on a historical cost basis.

For information purposes only, the table below provides the primary inflation indices for financial years 2014 and 2013.

Inflation indices

	(Percent - %)	
	2014	2013
<b>Brazil:</b>		
Broad Consumer Price Index (IPCA) Brazilian Institute of Geography and Statistics	6.4	5.9
General Price Index (IGP-DI) Getúlio Vargas Institute	3.8	5.5
<b>Paraguay:</b>		
Consumer Price Index (IPC) Paraguayan Central Bank	4.2	3.7
<b>United States:</b>		
Average of "Industrial Goods" and "Consumer Prices" indices	1.3	0.9



## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in banks and cash on hand in either Reais or Guarani, expressed as their equivalent amounts in United States Dollars, as well as cash in United States Dollars held in Paraguayan banks.

	US\$	
	2014	2013
Cash	18,999	11,055
Banks - Checking Accounts	1,165,350	129,194
Short-Term Investments		
In Brazil		
Caixa Econômica Federal - FIC Ideal RF	36,106	22,727
Caixa Econômica Federal - CDB Flex	195,622,207	200,340,306
Banco do Brasil - CDB DI	40,888,202	164,476,785
Banco do Brasil - Renda Fixa 25 mil	6,386	65,684
	<u>236,552,901</u>	<u>364,905,502</u>
In Paraguay		
Banco Regional	30,387,958	11,343,781
Banco do Brasil	109,168	108,815
Banco Nacional de Fomento	50,400	50,656
Banco Bilbao Vizcaya Argentaria - BBVA	10,089,578	89,691
Banco Amambay	79,246	79,171
Banco Continental	18,153,536	172,952
Banco Citibank	5,120,860	-
Banco Itaú	10,771,368	9,228,449
Sudameris Bank	118,380	118,919
Vision Banco	108,019	59,022
Banco Bancop	1,224,702	1,067,820
	<u>76,213,215</u>	<u>22,319,276</u>
	<u>312,766,116</u>	<u>387,224,778</u>
<b>TOTAL</b>	<u><u>313,950,465</u></u>	<u><u>387,365,027</u></u>

## 7. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are amounts receivable for the provision of electricity service under invoices falling due up to the 20<sup>th</sup> and 30<sup>th</sup> of the second month following generation, and up to the 10<sup>th</sup> of the third month following generation, issued in United States Dollars for receipt in Reais or Guarani at the selling (closing) exchange rates for the day preceding receipt, as published respectively by the Central Banks of Brazil and Paraguay.

Trade accounts receivable also include provisions for dollar adjustments of compensation for equity electricity, royalties and reimbursement of management and supervision costs (Notes to the Statement of Operation Accounts) for the current financial year and part of the previous financial year, payable in 12 installments beginning in March of the year subsequent to generation.

	US\$	
	2014	2013
<b>Purchasing Entities</b>		
Centrais Elétricas Brasileiras S.A. - ELETROBRAS	678,432,681	743,965,184
Brazilian Ministry of Mining and Energy	224,223,641	190,877,796
Administración Nacional de Electricidad (ANDE)	88,173,707	72,477,542
<b>TOTAL</b>	<b>990,830,029</b>	<b>1,007,320,522</b>

## 8. SUPPLIES

	US\$	
	2014	2013
Materials in inventory	6,299,824	6,464,186
Materials separated for disposal	192,662	192,662
<b>TOTAL</b>	<b>6,492,486</b>	<b>6,656,848</b>

## 9. OBLIGATIONS RECEIVABLE

	US\$	
	2014	2013
Security deposits CT-80/92	195,169,582	176,415,453
ANDE Agreement 5808/99 - Right-Bank Substation	5,175,152	5,808,844
ANDE Agreement 5808/99 - T5/R5	13,486,928	13,986,098
ANDE Agreement 5808/99 - T4/R4	1,004,947	866,029
FOCEM Agreement - 500 kV TL	227,720	227,720
Recoverable tax	4,266,878	4,235,946
Other	2,340,090	2,588,141
<b>TOTAL</b>	<b>221,671,297</b>	<b>204,128,231</b>
<b>(-) Long Term</b>	<b>218,384,799</b>	<b>200,840,198</b>
<b>Short Term</b>	<b>3,286,498</b>	<b>3,288,033</b>

Obligations receivable primarily consist of guarantees maturing in April 2024 which constitute a right of the Entity, in amounts equivalent to the principal of the Par Bonds and Discount Bonds under the foreign debt restructuring agreement entered into by the Brazilian Treasury through contract CT-80/92 (Note 15).

Agreement No. 5808/99 was entered into between ITAIPU and ANDE to establish the terms and conditions applying to the expansion of sectors 3 and 4 of the Right-Bank Substation, including detail design, procurement of related equipment, construction, erection, operation and maintenance of the facilities.

On August 20, 2010 ITAIPU and ANDE concluded amendment 2 to the above agreement establishing rules governing reimbursements by ANDE to ITAIPU of payments made on a loan obtained by ITAIPU from Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 15) for the installation of a 500/220 kV Autotransformer/Regulator (T5/R5) at the Right-Bank Substation.

On February 17, 2012 ITAIPU and ANDE concluded amendment 6 establishing rules governing reimbursements by ANDE to ITAIPU of payments made on a loan obtained by ITAIPU from Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 15) for the Repowering of the Right-Bank Substation Autotransformer/Regulator Set (T4/R4).

All payments made by ITAIPU to CAJUBI will be reimbursed on the same terms as under the loan agreement and, if necessary, will be offset against ANDE's rights under section III.5 of Annex "C" to the ITAIPU Treaty.

The balance receivable under the FOCEM Agreement - 500 kV TL (Note 11) refers to value-added tax (VAT) on imports deemed non-eligible by the organization funding the project, the Mercosur Structural Convergence Fund (FOCEM), which must be reimbursed by ANDE to ITAIPU.

## 10. JUDICIAL DEPOSITS

Judicial deposits comprise appeal and other security deposits and bank deposit certificates (CDB) in Brazil, and court-restricted deposits in Paraguay, relating to labor, tax, civil and commercial court proceedings to which ITAIPU is party.

	US\$	
	2014	2013
Brazil	54,126,082	60,793,086
Paraguay	4,285,390	4,266,779
<b>TOTAL</b>	<b>58,411,472</b>	<b>65,059,865</b>
(-) Long Term	23,890,705	43,953,374
Short Term	34,520,767	21,106,491

Security deposits in Brazil other than bank deposit certificates (CDB) are adjusted in accordance with the rules agreed at the time of making such deposits, with security deposits relating to tax, civil and commercial proceedings indexed to the National Consumer Price Index (INPC) and those related to labor proceedings indexed to the FGTS correction factor.

## 11. OTHER ACCOUNTS RECEIVABLE

	US\$	
	2014	2013
Advances to suppliers	26,734,998	27,109,608
Restricted deposits	7,875,116	29,259,991
Other debtors	3,704,755	5,093,473
Advances to employees	1,136,381	1,989,893
<b>TOTAL</b>	<b>39,451,250</b>	<b>63,452,965</b>

On August 2, 2010 a Mercosur Structural Convergence Fund Financing Agreement (COF) was concluded pursuant to Southern Common Market Council Decision MERCOSUL/CMC/DEC 07/2010 for "Construction of the 500 kV ITAIPU - Villa Hayes Transmission Line, the Villa Hayes Substation and the ITAIPU Right-Bank Substation Expansion," with ITAIPU as the developer.

The total cost of the project is US\$ 555,000,000, with US\$ 400,000,000 of funding provided by the Mercosur Structural Convergence Fund (FOCEM) and US\$ 155,000,000 by ITAIPU and Administración Nacional de Electricidad (ANDE).

As of December 31, 2014 the financial transactions under the financing agreement for the above-mentioned project were as follows:

<u>COF</u>	<u>US\$</u>
Funding received from FOCEM up to 2013	248,700,000
Funding received from FOCEM - 2014	54,121,330
Total funding received	<u>302,821,330</u>
Tax recovery up to 2013	17,745,530
Tax recovery - 2014	4,227,993
Total tax recovered	<u>21,973,523</u>
Project expenditure up to 2013	(266,441,853)
Project expenditure - 2014	(58,215,159)
Total expenditure	<u>(324,657,012)</u>
Available as of December 31, 2014	<u><u>137,841</u></u>

<u>ANDE Agreement - T5/R5 (Note 9)</u>	<u>US\$</u>
Funding received from CAJUBI up to 2014	15,000,000
Total Funding Received	<u>15,000,000</u>
Project expenditure up to 2013	(13,954,473)
Project expenditure - 2014	(804,643)
Total expenditure	<u>(14,759,116)</u>
Available as of December 31, 2014	<u>240,884</u>

## 12. PROFIT OR LOSS

Profit or loss has been taken from the Financial Statements for the financial years ended December 31, 2013 and December 31, 2014.

	<u>US\$</u>	
	<u>2014</u>	<u>2013</u>
Prior-year profit (loss)	(2,131,418,858)	(942,516,046)
Current-year profit (loss)	<u>(1,103,817,173)</u>	<u>(1,188,902,812)</u>
<b>TOTAL</b>	<u><u>(3,235,236,031)</u></u>	<u><u>(2,131,418,858)</u></u>

The profit or loss presented is not used as a basis for calculating interest on equity, profit sharing or reserves, as discussed in Note 2 (ii) and (iii).

Until 2023, when Annex "C" to the Treaty may be amended, the cumulative balance of profit or loss must be equivalent to the Entity's total balance of Property, Plant and Equipment and Intangible Assets according to the electricity tariff breakdown (unit cost of electricity service) projections; under Annex "C", amortization of loans and financing is an integral part of the Cost of Electricity Service, and depreciation of Property, Plant and Equipment and amortization of Intangible Assets are not accounted for by the Entity.

### 13. PROPERTY, PLANT AND EQUIPMENT

	US\$	
	2014	2013
<b>PP&amp;E in service</b>		
Generation assets and facilities	16,360,602,932	16,360,744,801
Other assets and facilities	698,349,171	709,827,486
Movable assets	94,580,081	118,895,251
<b>Total PP&amp;E in service</b>	<b>17,153,532,184</b>	<b>17,189,467,538</b>
<b>PP&amp;E in progress</b>		
Other PP&E expenditure	265,246,668	250,503,029
Advances for movable assets	1,997,293	2,547,369
Technical reserve	48,838,094	46,364,097
<b>Total PP&amp;E in progress</b>	<b>316,082,055</b>	<b>299,414,495</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>17,469,614,239</b>	<b>17,488,882,033</b>

PP&E in service, equivalent to 98.19% and 98.29% of total Property, Plant and Equipment for financial years 2014 and 2013, respectively, represents the direct costs of construction of the Dam and costs to be distributed. These costs were originally classified under PP&E in progress, and were transferred to PP&E in service based on a physical and accounting inventory of assets.

The inventory of spares to be used directly in connection with PP&E is accounted for as a technical reserve.

Tariff (unit cost of electricity service) projections demonstrate that the Entity will have sufficient funds to meet its obligations up to 2023 under Annex "C" to the Treaty, and therefore no provision for impairment has been deemed necessary.

On January 30, 2014, Executive Committee Resolution RDE-004/14 approved a revision of the ITAIPU Movable Asset System Handbook to update and improve the rules and procedures for recognition of the Entity's movable assets in property, plant and equipment.

One change resulting from the revision was an increase in the now obsolete minimum value eligible for recognition as PP&E, unchanged since 1976, in accordance with good management practices which require a cost-benefit analysis of controls over movable assets and that the efficiency of such controls be suited to the current organizational environment and legal requirements.

ITAIPU's General Movable Asset Inventory for financial year 2014, performed based on the revised handbook, identified 2,182 items not located by the departments responsible. A general investigation and analysis will be made for these items, segregated by functional area.

Also during financial year 2014, a procurement process was initiated for selection of consultants to perform a general inventory of fixed assets and a physical and accounting reconciliation of those assets, commencing in 2015 and ending in 2016.

A number of assets were derecognized during financial year 2014, as detailed below:

- (i) Movable and immovable assets donated for public-interest and social purposes, amounting to US\$ 5,105,336;
- (ii) Movable assets deemed obsolete, deteriorated or inconsistent with the ITAIPU Movable Asset System Handbook as revised in January 2014, amounting to US\$ 44,461,855;
- (iii) Sold movable assets amounting to US\$ 1,434,385;
- (iv) Sold housing project properties on both banks, amounting to US\$ 7,153,846.

A breakdown of the net change in Property, Plant and Equipment during financial year 2014, of US\$ (19,267,794) (US\$ 11,229,192 in 2013), is provided below:

	US\$	
	2014	2013
<b>PP&amp;E additions during the year</b>		
Other PP&E additions	27,440,467	24,349,351
Movable assets	8,955,961	10,021,316
	<u>36,396,428</u>	<u>34,370,667</u>
<b>Economic increases (decreases)</b>		
Technical reserve	2,473,997	795,046
Financial charges	17,203	-
Derecognition of PP&E	(58,155,422)	(23,936,521)
	<u>(55,664,222)</u>	<u>(23,141,475)</u>
<b>Change in Property, Plant and Equipment</b>	<u>(19,267,794)</u>	<u>11,229,192</u>

As described in Note 4.b, ITAIPU does not account for depreciation of PP&E.



#### 14. INTANGIBLE ASSETS

This item comprises the expenditure inherent to obtaining intangible assets intended for operation, maintenance and management.

	US\$	
	<u>2014</u>	<u>2013</u>
Rights-of-way	68,914	68,914
Software	<u>24,805,353</u>	<u>22,219,964</u>
<b>TOTAL</b>	<b><u>24,874,267</u></b>	<b><u>22,288,878</u></b>

As described in Note 4.b., ITAIPU does not account for amortization of Intangible Assets.

## 15. LOANS AND FINANCING

Loans and financing in United States Dollars and other currencies, as detailed in the table below, are appropriately adjusted for inflation, interest and other financial charges in accordance with the relevant contractual terms and conditions.

Currency (3)	Interest Rate	Contract Amount		Debt in December 31 - US\$ Thousands			Amortization period			
		Total (thousands)	Equivalent in US\$ Thou. (1)	2014		2013	Start	End	Installment	
				Short Term	Long Term					
<b>I - ELETROBRAS</b>										
ECF - 1480/97										
	US\$	7,5	10.250.481	10.250.481	491.199	3.152.934	4.201.816	2001	2023	Monthly
	US\$	4,1	1.780.955	1.780.955	72.950	408.112	574.709	2007	2023	Monthly
ECF - 1627/97										
	US\$	7,5	181.577	181.577	9.931	71.174	91.036	1998	2023	Monthly
ECF - 1628/97										
	US\$	7,5	211.116	211.116	20.850	149.426	191.126	2007	2023	Monthly
CT - 2607/06										
	US\$	7,5 <sup>(4)</sup>	6.304	6.304	-	-	1.391	2009	2014	Monthly
CT - 2608/06										
	US\$	7,5 <sup>(4)</sup>	8.004	8.004	-	-	846	2009	2014	Monthly
CT - 2686/08										
	US\$	7,5 <sup>(4)</sup>	22.343	22.343	1.702	10.208	13.611	2012	2021	Monthly
					<b>596.632</b>	<b>3.791.854</b>	<b>5.074.535</b>			
<b>II - BRAZILIAN NATIONAL TREASURE</b>										
CT-80/92										
	US\$	(Nota 2) <sup>(6)</sup>	918.235	918.235	1.576	243.369	254.748	1997	2023	Biannual
External Debt Restructuring (DMLP)										
CT-424/TN										
Transfer Eletrobras (ECF-1480/97)										
	US\$	7,5	-	-	153.125	1.836.749	2.099.029	2001	2023	Monthly
	US\$	4,1	-	-	44.131	439.278	518.467	2007	2023	Monthly
CT-425/TN										
Transfer Eletrobras (ECF-1480/97)										
	US\$	7,5	-	-	338.919	4.062.431	4.643.010	2001	2023	Monthly
	US\$	4,1	-	-	97.645	971.958	1.147.171	2007	2023	Monthly
					<b>635.396</b>	<b>7.553.785</b>	<b>8.662.425</b>			
<b>III - ( OTHER CONTRACTS</b>										
FIBRA - Itaipu BR Foundation of Social Security and Social Assistance										
	R\$	6,0 <sup>(5)</sup>	73.911	31.626	<b>3.004</b>	<b>27.508</b>	<b>35.558</b>	2004	2023	Monthly
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional										
	US\$	8,0	15.000	15.000	1.359	12.696	15.313	2012	2022	Monthly
PIB 2010-10-0001 - T5/R5										
	US\$	8,0	5.000	5.000	446	3.531	4.390	2012	2021	Monthly
PIB 2011-10-0001 - Repotencialization T1/R1, T2/R2, T3/R3 E TX/RX										
	US\$	8,0	42.000	42.000	3.381	32.080	38.592	2013	2022	Monthly
PIB 2011-10-0002 - Sectioning L3 e L4 500kV										
	US\$	8,0	12.000	12.000	1.191	10.604	12.896	2013	2022	Monthly
PIB 2011-10-0003 - Environment MD										
	US\$	8,0	1.132	1.132	94	910	1.092	2013	2022	Monthly
					<b>6.471</b>	<b>59.821</b>	<b>72.283</b>			
Other Lenders										
	US\$	4,09 <sup>(7)</sup>	10.000	10.000	5.175	-	-	2015	2016	Biannual
	US\$	4,05	1.800	1.800	135	675	-	2015	2018	Monthly
	US\$	6,0	11.500	11.500	14	2.700	-	2016	2022	Monthly
					<b>5.324</b>	<b>3.375</b>	<b>-</b>			
<b>TOTAL OF LOANS AND FUNDINGS</b>					<b>1.246.827</b>	<b>11.436.343</b>	<b>13.844.801</b>			

(1) Converted at the rate prevailing on the date of release and updated the balance sheet date rate.

(2) Interest rate  
Libor biannual + Spread, 6,0 e 8,0

(3) Abbreviations:  
R\$ - Reais  
US\$ - United States of America's Dollars

(4) In addition to the interest rate, the contract establishes the payment of management fee and credit reserve commission.

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

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

(7) In addition to the interest rate, the contract establishes the payment of commission and IVA.

On December 29, 1998, Centrais Elétricas Brasileiras S.A. - ELETROBRAS and the Brazilian National Treasury signed contracts 423/TN, 424/TN and 425/TN for the assignment of part of ELETROBRAS's loans to the Entity.

The International Financial Statistics - Industrial Goods and Consumer Prices indices previously used for monetary restatement of the loan contracts with ELETROBRAS (including the portion assigned to the Brazilian National Treasury), ceased to be applied as from 2007 pursuant to Act 11480 of May 30, 2007 as regulated by Decree 6265 of November 22, 2007 and addenda ECF-1480-A/2007, ECF-1627-C/2007 and ECF-1628-D/2007, signed on December 27, 2007 with Centrais Elétricas Brasileiras S.A. - ELETROBRAS.

On May 31, 2005 the Brazilian National Treasury signed assignment agreement 235/05, by which it assigned and transferred to Empresa Gestora de Ativos (EMGEA) part of its credit rights against ITAIPU under contracts 424/TN and 425/TN, in the amount of US\$ 2,480.0 million. Payments in the amount of US\$ 326.3 million were made during the current financial year.

Under assignment agreements 808, 865 and 873/PGFN/CAF, dated December 28, 2012, June 07, 2013 and July 11, 2013, the Brazilian National Treasury transferred to the Brazilian Development Bank (BNDES) a further US\$ 3,851.8 million, US\$ 687.8 million and US\$ 239.8 million, respectively, in credit rights against ITAIPU under contracts 424/TN and 425/TN. Payments in the amount of US\$ 662.9 million were made during financial year 2014.

Contract CT-7218/03 was entered into with FIBRA pursuant to Board of Directors Resolution RCA 010/03 of September 05, 2003, which revoked the giving of real estate in partial payment of ITAIPU's debt to FIBRA, incurred during the period from 1989 to 1992, as previously approved by Board of Directors Resolution RCA 004/93 of January 11, 1993.

The schedule of annual repayment of long-term loans and financing to ELETROBRAS, the Brazilian National Treasury and other parties is as follows:

<u>Financial year</u>	<u>US\$</u>
2016	1,326,755,580
2017	1,413,204,799
2018	1,507,264,699
2019	1,607,671,822
2020	1,715,594,344
2021 a 2023	<u>3,865,852,342</u>
<b>TOTAL</b>	<b><u>11,436,343,586</u></b>

The following debt-service interest and principal payments were made each year:

Lenders	US\$	
	2014	2013
<b>Eletrobras</b>		
Principal	686,049,280	622,863,802
Interest	327,897,281	372,242,909
	<b>1,013,946,561</b>	<b>995,106,711</b>
<b>Brazilian National Treasury</b>		
Assignment of Eletrobras' Credit Rights		
Principal	463,440,390	444,766,907
Interest	542,189,376	574,920,952
	<b>1,005,629,766</b>	<b>1,019,687,859</b>
<b>Brazilian National Treasury</b>		
Restructuring of Foreign Debt		
Principal	9,596,884	19,567,899
Interest	7,930,085	9,820,821
	<b>17,526,969</b>	<b>29,388,720</b>
<b>Fibra</b>		
Principal	3,118,677	3,027,847
Interest	3,775,435	4,322,513
	<b>6,894,112</b>	<b>7,350,360</b>
<b>Cajubi</b>		
Principal	5,991,317	2,313,274
Interest	5,371,778	2,347,664
	<b>11,363,095</b>	<b>4,660,938</b>
<b>Other Lenders</b>		
Principal	-	-
Interest	8,665	-
	<b>8,665</b>	<b>-</b>
<b>Total</b>		
Principal	1,168,196,548	1,092,539,729
Interest	887,172,620	963,654,859
	<b>2,055,369,168</b>	<b>2,056,194,588</b>

## 16. COMPENSATION AND REIMBURSEMENT

Compensation and reimbursement comprise obligations to the Brazilian and Paraguayan Governments as well as to ELETROBRAS and ANDE under the ITAIPU Treaty.

	US\$					
	2014			2013		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
<b>Royalties</b>						
Principal	17,822,552	9,181,977	27,004,529	20,909,141	20,909,141	41,818,282
Dollar	147,936,194	136,501,841	284,438,035	159,363,983	159,363,983	318,727,966
adjustment						
Subtotal	<u>165,758,746</u>	<u>145,683,818</u>	<u>311,442,564</u>	<u>180,273,124</u>	<u>180,273,124</u>	<u>360,546,248</u>
<b>Compensation for Equity Electricity</b>						
Principal	-	54,963,401	54,963,401	-	38,558,908	38,558,908
Dollar	-	243,960,068	243,960,068	-	238,548,550	238,548,550
adjustment						
Subtotal	<u>-</u>	<u>298,923,469</u>	<u>298,923,469</u>	<u>-</u>	<u>277,107,458</u>	<u>277,107,458</u>
<b>Reimbursement of Management and Supervision Costs</b>						
Principal	1,370,966	1,370,966	2,741,932	1,608,395	1,608,395	3,216,790
Dollar	11,379,707	11,379,707	22,759,414	12,258,768	12,258,768	24,517,536
adjustment						
Subtotal	<u>12,750,673</u>	<u>12,750,673</u>	<u>25,501,346</u>	<u>13,867,163</u>	<u>13,867,163</u>	<u>27,734,326</u>
<b>Income on Capital</b>						
Principal	6,000,000	6,000,000	12,000,000	6,000,000	6,000,000	12,000,000
Dollar	18,371,884	18,371,884	36,743,768	18,052,842	18,052,842	36,105,684
adjustment						
Subtotal	<u>24,371,884</u>	<u>24,371,884</u>	<u>48,743,768</u>	<u>24,052,842</u>	<u>24,052,842</u>	<u>48,105,684</u>
<b>Total</b>	<u>202,881,303</u>	<u>481,729,844</u>	<u>684,611,147</u>	<u>218,193,129</u>	<u>495,300,587</u>	<u>713,493,716</u>

Amounts deriving from US Dollar adjustment of royalties, reimbursement of management and supervision costs and compensation for equity electricity are paid in 12 installments beginning in March of each year subsequent to period end. Amounts deriving from US Dollar adjustment of income on capital during the year for ELETROBRAS and ANDE are paid in a single installment on the last business day of the month subsequent to final computation. These amounts are mandatorily offset against amounts payable by ELETROBRAS and ANDE to ITAIPU, and may be so offset in advance where sufficient cash is available.

#### 17. TRADE ACCOUNTS PAYABLE

	US\$	
	<u>2014</u>	<u>2013</u>
Trade accounts payable	51,970,100	56,667,099
Tax withholding	<u>5,478,703</u>	<u>2,847,058</u>
<b>TOTAL</b>	<b><u>57,448,803</u></b>	<b><u>59,514,157</u></b>

#### 18. PAYROLL AND PAYROLL CHARGES

	US\$	
	<u>2014</u>	<u>2013</u>
Provision for vacations and payroll charges	36,581,915	37,871,298
Supplementary pension foundations	12,808,589	10,572,474
Payroll charges payable	5,141,553	5,396,227
Other	<u>8,388,686</u>	<u>5,079,189</u>
<b>TOTAL</b>	<b><u>62,920,743</u></b>	<b><u>58,919,188</u></b>

## 19. LABOR INDEMNITIES

	US\$	
	<u>2014</u>	<u>2013</u>
Voluntary redundancy program - Brazil	82,627,635	92,385,921
Labor indemnities - Paraguay	<u>287,208,752</u>	<u>280,163,416</u>
<b>TOTAL</b>	<b><u>369,836,387</u></b>	<b><u>372,549,337</u></b>
<b>(-) Long Term</b>	<b><u>346,449,977</u></b>	<b><u>345,044,078</u></b>
<b>Short Term</b>	<b><u>23,386,410</u></b>	<b><u>27,505,259</u></b>

## 20. POST-EMPLOYMENT BENEFITS

The Entity has an employee retirement and pension program managed by Fundação ITAIPU BR de Previdência e Assistência Social (FIBRA) in Brazil and by Caja Paraguaya de Jubilaciones y Pensiones del personal de la Itaipu Binacional (CAJUBI) in Paraguay.

Contributions to the defined-benefit plan are made both by the sponsor and by beneficiaries based on an actuarial study prepared by independent actuaries in accordance with the applicable legislation of Brazil and Paraguay, in such a way as to secure sufficient funding to cover present and future benefits.

The benefits provided by the retirement and pension plan are as follows:

### i) Brazilian employees:

- a) Seniority-, disablement and age-based supplementary pension;
- b) Special supplementary pension;
- c) Inmate dependents' allowance;
- d) Supplementary pension;
- e) Special temporary death benefit;
- f) Funeral assistance on death of beneficiaries; and
- g) Supplementary annual bonus.

ii) Paraguayan employees:

- a) Ordinary and disablement pension;
- b) Special retirement pension;
- c) Voluntary early retirement pension;
- d) Inmate dependents' allowance;
- e) Pension;
- f) Funeral assistance; and
- g) Annual bonus.

In addition to the retirement and pension program, ITAIPU sponsors a health care program for employees and their dependents, which also extends to retired and pensioner employees, including their dependents, provided by FIBRA and CAJUBI.

Since 2003, ITAIPU has recorded actuarial liabilities in connection with future employee benefits within the health care program, and since 2009 it has recorded liabilities relating to the retirement and pension program.

It has accordingly retained actuaries to prepare opinions on both programs in accordance with international financial reporting standards.

Liabilities recorded in the Financial Statements of ITAIPU relating to post-employment benefits are as follows:

	BRAZIL		US\$ thousand PARAGUAY		TOTAL	
	2014	2013	2014	2013	2014	2013
	<b>Liabilities recorded in the statement of financial position - long-term</b>					
Retirement plan benefits	-	-	925,903	847,069	925,903	847,069
Health plan benefits	402,769	445,196	430,740	404,135	833,509	849,331
	<b>402,769</b>	<b>445,196</b>	<b>1,356,643</b>	<b>1,251,204</b>	<b>1,759,412</b>	<b>1,696,400</b>
<b>Revenue (expense) recognized in the statement of income</b>						
Retirement plan benefits	-	-	(84,536)	(46,021)	(84,536)	(46,021)
Health plan benefits	(10,134)	(81,519)	(29,326)	83,618	(39,460)	2,099
	<b>(10,134)</b>	<b>(81,519)</b>	<b>(113,862)</b>	<b>37,597</b>	<b>(123,996)</b>	<b>(43,922)</b>



The following assumptions were used in valuating post-employment benefits:

	BRAZIL		PARAGUAY	
	2014	2013	2014	2013
<b><u>GENERAL DATA</u></b>				
Active participants	1,441	1,490	1,816	1,887
Retired participants	1,382	1,308	1,188	1,100
Pensioners	211	208	307	288
<b><u>ECONOMIC ASSUMPTIONS</u></b>				
Real discount rate (p.a.) - pension plan	6.18%	6.50%	4.00%	4.00%
Real discount rate (p.a.) - health plan	6.18%	6.50%	6.18%	6.50%
Expected rate of return on assets (p.a.)	10.96%	10.76%	8.68%	14.40%
Real payroll growth rate (p.a.)	2.31%	2.25%	1.92%	1.92%
Real expense growth rate (p.a.)	2.00%	2.00%	2.00%	2.00%
Inflation	4.50%	4.00%	4.50%	10.00%
Benefit capacity factor	97.58%	98.00%	-	-
<b><u>ACTUARIAL ASSUMPTIONS</u></b>				
General mortality table	AT-2000 (-20%)	AT-2000 (-20%)	AT-2000	AT-2000
Disabled mortality table	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	AT-1983
Disability rate table	Light Weak	Light Weak	Light Medium	Light Medium
Turnover rate	0.13%	0.13%	0.50%	0.50%

a) Pension plan

STATEMENT OF ACTUARIAL SURPLUS (DEFICIT) OF DEFINED BENEFIT PENSION PLAN SPONSORED  
BY ITAIPU BINACIONAL  
IN US\$ THOUSANDS

DESCRIPTION	FIBRA		CAJUBI	
	2014	2013	2014	2013
Fair value of plan assets	1,031,330	1,016,449	240,613	279,550
Present value of liabilities	<u>(1,024,936)</u>	<u>(1,012,080)</u>	<u>(1,232,808)</u>	<u>(1,126,619)</u>
Actuarial (deficit) surplus	<u><u>6,394</u></u>	<u><u>4,369</u></u>	<u><u>(992,195)</u></u>	<u><u>(847,069)</u></u>

During financial year 2009 a provision was established for the full actuarial deficit of the Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional (CAJUBI) retirement plan for that period.

Since financial year 2010 this provision has been updated based on actuarial reports issued on an annual basis.

In 2014 the adjustment to the provision for the CAJUBI actuarial deficit was recorded taking into account the liability already recognized in the Financial Statements of ITAIPU as loans in the amount of US\$ 66,292 thousand, as discussed in Note 15, since from that year forward the outstanding balance of loans made by CAJUBI to the sponsor was deducted from the fair value of plan assets in the actuarial report, as required by the relevant accounting standards.

ITAIPU has requested clarification and action from CAJUBI regarding its actuarial deficit and has monitored the steps being taken to address this issue.

Since November 2012, steps have been taken to improve Corporate Governance, management and Plan funding.

Under Executive Committee Resolution RDE 213/14, August 07, 2014, a Paraguayan side multi-sector working group was established to perform a technical, financial and legal assessment of potential solutions for the actuarial deficit of CAJUBI and to make recommendations in this regard.

No provision has been established in the Financial Statements for the Fundação ITAIPU BR de Previdência e Assistência Social (FIBRA) pension plan due to the positive actuarial results for 2014 and 2013.

For information purposes, data relating to the pension funds has been extracted from the Financial Statements and presented in the table below, translated into United States Dollars at the exchange rates as of December 31, 2014 and 2013.

	US\$ thousand			
	FIBRA		CAJUBI	
	2014	2013	2014	2013
Current value of assets	1,016,394	1,050,499	306,721	279,550
<b>Mathematical provisions</b>				
Benefits awarded	739,262	738,228	687,644	580,499
Benefits payable	340,859	398,177	557,754	521,324
(-) Mathematical provisions to be established	(17,632)	(20,434)	(28,076)	(29,202)
	<u>1,062,489</u>	<u>1,115,971</u>	<u>1,217,322</u>	<u>1,072,621</u>
<b>(Deficit) Surplus</b>	<u>(46,095)</u>	<u>(65,472)</u>	<u>(910,601)</u>	<u>(793,071)</u>

b) Health plan

STATEMENT OF ACTUARIAL VALUATION OF ITAIPU BINACIONAL HEALTH PLAN LIABILITIES  
IN US\$ THOUSAND

DESCRIPTION	BRAZIL		PARAGUAY	
	2014	2013	2014	2013
Fair value of plan assets	-	-	-	-
Present value of liabilities				
Accrued rights	275,805	294,348	297,258	277,904
Future rights	126,964	150,848	133,482	126,231
	<u>402,769</u>	<u>445,196</u>	<u>430,740</u>	<u>404,135</u>
Non-recognized actuarial gains (losses)	-	-	-	-
Recorded actuarial liability	<u>402,769</u>	<u>445,196</u>	<u>430,740</u>	<u>404,135</u>

Actuarial liabilities relating to the health plan are fully recognized as liabilities of the sponsor, ITAIPU, and annually these amounts are restated based on actuarial statements of opinion.

## 21. PROVISIONS FOR CLAIMS

The Entity is party to tax, civil, commercial and labor proceedings at various stages.

ITAIPU classifies proceedings brought against the Entity according to the risk of defeat based on the opinion of its legal advisors, as follows:

i) For judicial proceedings brought in Brazil:

- a) Provisions are established for cases in which a negative outcome for the Entity is deemed "likely"; and
- b) For cases in which a negative outcome for the Entity is deemed "possible", the relevant information is included in the Notes to the Financial Statements.

ii) For judicial proceedings brought in Paraguay:

- a) Up to second-quarter 2014, Provisions were established for cases in which a negative outcome for the Entity was deemed "likely" or "possible";
- b) As from third-quarter 2014, the procedures used on both sides have been standardized and provisions for judicial proceedings in which a negative outcome has been rated as "possible" have been reversed and the relevant information has been presented in the Notes to the Financial Statements.

On both sides, no provisions are established and no information is provided for cases in which the likelihood of a negative outcome for the Entity is deemed "remote".

Provisions relating to judicial proceedings are periodically updated, as detailed in the table below, to better reflect estimated future expenditure based on reports issued by the Entity's legal departments.

	US\$					
	2014			2013		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
<b>Short term</b>						
Tax	36,977,881	-	36,977,881	25,390,158	-	25,390,158
Civil	94,119	-	94,119	8,697,987	-	8,697,987
Commercial	7,600,203	22,619	7,622,822	52,096,688	-	52,096,688
Labor	43,176,168	4,462,139	47,638,307	42,973,317	5,616,596	48,589,913
Environmental	3,764,776	-	3,764,776	-	-	-
	<b>91,613,147</b>	<b>4,484,758</b>	<b>96,097,905</b>	<b>129,158,150</b>	<b>5,616,596</b>	<b>134,774,746</b>
<b>Long term</b>						
Tax	8,298,360	-	8,298,360	25,338,560	-	25,338,560
Civil	491,017	-	491,017	94,319	-	94,319
Commercial	48,187,565	404,799	48,592,364	54,630,219	10,100,199	64,730,418
Labor	12,154,407	563,538	12,717,945	13,772,682	22,475,028	36,247,710
	<b>69,131,349</b>	<b>968,337</b>	<b>70,099,686</b>	<b>93,835,780</b>	<b>32,575,227</b>	<b>126,411,007</b>
<b>Total</b>	<b>160,744,496</b>	<b>5,453,095</b>	<b>166,197,591</b>	<b>222,993,930</b>	<b>38,191,823</b>	<b>261,185,753</b>

Judicial proceedings in Brazil and Paraguay in which the likelihood of a negative outcome has been deemed "possible", and for which no provision has been established, are presented in the table below:

	US\$					
	2014			2013		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Tax	5,932,694	-	5,932,694	330,017	-	330,017
Civil	8,602,085	-	8,602,085	-	-	-
Commercial	205,505,877	10,803,912	216,309,789	233,067,651	-	233,067,651
Labor	-	23,574,478	23,574,478	-	-	-
<b>Total</b>	<b>220,040,656</b>	<b>34,378,390</b>	<b>254,419,046</b>	<b>233,397,668</b>	<b>-</b>	<b>233,397,668</b>

## 22. OTHER LIABILITIES

	US\$	
	2014	2013
Contractual withholding	2,006,328	1,977,494
Other creditors	3,361,294	3,515,006
Agreements	1,080,852	1,321,729
Other	13,996	57,943
<b>TOTAL</b>	<b>6,462,470</b>	<b>6,872,172</b>
<b>(-) Long Term</b>	<b>3,361,294</b>	<b>3,515,006</b>
<b>Short Term</b>	<b>3,101,176</b>	<b>3,357,166</b>

## 23. CAPITAL

Pursuant to the provisions of the Treaty and Annex "A" - By-laws, ITAIPU's mandatory capital of US\$ 100 million since the exchange of treaty ratification documents on August 13, 1973 is owned in equal and nontransferable parts by Centrais Elétricas Brasileiras S.A. (ELETROBRAS) and Administración Nacional de Electricidad (ANDE).

## 24. OPERATING REVENUE

Since 2003, purchases of electricity service for Brazil have been made by Centrais Elétricas Brasileiras (ELETROBRAS) pursuant to Decree 4550 of December 27, 2002, under which ELETROBRAS is the sole trader in electricity from ITAIPU. Purchases of electricity for Paraguay are made by Administración Nacional de Electricidad (ANDE).

Revenue from electricity service was US\$ 3,291,012,000 in 2014 (as in 2013), deriving from 145,620 MW of contract power during the period (the same as in 2013).

The electricity service rate adopted in 2014 was US\$ 22.60/kW per month, the same as in 2013.

Electricity supply to the Purchasing Entities in 2014 was 87,165 GWh (97,878 GWh in 2013).

	US\$ Thousands					
	2014			2013		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Energy supply	2.994.641	296.371	3.291.012	3.047.367	243.645	3.291.012
Energy transfer remuneration	318.375	-	318.375	377.020	-	377.020
Cost reimbursement - energy non-bond	46.888	24.088	70.976	109.252	23.077	132.329
<b>Total</b>	<b>3.359.904</b>	<b>320.459</b>	<b>3.680.363</b>	<b>3.533.639</b>	<b>266.722</b>	<b>3.800.361</b>
Power Invoiced - MW	11.042	1.093	12.135	11.237	898	12.135
Guaranteed energy - GWh	68.577	6.558	75.135	69.690	5.445	75.135
Supplied Energy - GWh	76.521	10.644	87.165	88.467	9.411	97.878

## 25. OPERATING EXPENSE - Compensation and Reimbursement

This item comprises compensation and reimbursements payable in 2014 and 2013 to the Contracting States under Annex "C" to the Treaty; royalties and compensation for equity electricity; and income on capital and reimbursement of management and supervision costs to ELETROBRAS and ANDE.

	US\$					
	2014			2013		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
<b>Income on Capital</b>						
Principal	(6,000,000)	(6,000,000)	(12,000,000)	(6,000,000)	(6,000,000)	(12,000,000)
Dollar adjustment	(18,392,407)	(18,392,407)	(36,784,814)	(18,069,524)	(18,069,524)	(36,139,048)
<b>Subtotal</b>	<b>(24,392,407)</b>	<b>(24,392,407)</b>	<b>(48,784,814)</b>	<b>(24,069,524)</b>	<b>(24,069,524)</b>	<b>(48,139,048)</b>
<b>Royalties</b>						
Principal	(113,314,743)	(113,314,743)	(226,629,486)	(127,241,666)	(127,241,666)	(254,483,332)
Dollar adjustment	(125,287,590)	(125,287,590)	(250,575,180)	(137,163,481)	(137,163,481)	(274,326,962)
<b>Subtotal</b>	<b>(238,602,333)</b>	<b>(238,602,333)</b>	<b>(477,204,666)</b>	<b>(264,405,147)</b>	<b>(264,405,147)</b>	<b>(528,810,294)</b>
<b>Reimbursement of management and supervision costs</b>						
Principal	(8,716,519)	(8,716,519)	(17,433,038)	(9,787,820)	(9,787,820)	(19,575,640)
Dollar adjustment	(9,637,507)	(9,637,507)	(19,275,014)	(10,551,037)	(10,551,037)	(21,102,074)
<b>Subtotal</b>	<b>(18,354,026)</b>	<b>(18,354,026)</b>	<b>(36,708,052)</b>	<b>(20,338,857)</b>	<b>(20,338,857)</b>	<b>(40,677,714)</b>
<b>Compensation for Equity Electricity</b>						
Principal	-	(151,189,943)	(151,189,943)	-	(181,434,454)	(181,434,454)
Dollar adjustment	-	(167,184,861)	(167,184,861)	-	(195,585,903)	(195,585,903)
<b>Subtotal</b>	<b>-</b>	<b>(318,374,804)</b>	<b>(318,374,804)</b>	<b>-</b>	<b>(377,020,357)</b>	<b>(377,020,357)</b>
<b>Total</b>	<b>(281,348,766)</b>	<b>(599,723,570)</b>	<b>(881,072,336)</b>	<b>(308,813,528)</b>	<b>(685,833,885)</b>	<b>(994,647,413)</b>

Compensation and reimbursement, including dollar adjustments, are calculated in accordance with Annex "C" to the Treaty and the relevant Revertive Notes, as described in the Notes to the Statement of Operation Accounts (Annex I).



## 26. OPERATING EXPENSE - General and Administrative Expenses

General and administrative expenses comprise all expenses attributable to Dam operation, including all operation, maintenance and management expenses as well as all social and environmental expenditure.

	US\$	
	2014	2013
<b>Personnel</b>		
Payroll, payroll charges and benefits	(561,710,111)	(586,300,003)
Payroll provisions	4,207,822	27,424,134
	<u>(557,502,289)</u>	<u>(558,875,869)</u>
<b>Actuarial provisions</b>		
Pension and health plans	(123,996,093)	(43,921,855)
	<u>(123,996,093)</u>	<u>(43,921,855)</u>
<b>Materials</b>		
Consumables	(13,827,348)	(14,797,122)
	<u>(13,827,348)</u>	<u>(14,797,122)</u>
<b>Services</b>		
Outsourced services	(71,398,321)	(84,106,075)
Training	(2,162,231)	(2,231,787)
Insurance	(4,081,609)	(4,175,981)
	<u>(77,642,161)</u>	<u>(90,513,843)</u>
<b>Judicial Proceedings</b>		
Provision	74,473,567	58,759,955
Expenses	(50,646,983)	(41,387,322)
	<u>23,826,584</u>	<u>17,372,633</u>
<b>Other Expenses</b>		
Other expenses	(30,095,259)	(27,554,534)
	<u>(30,095,259)</u>	<u>(27,554,534)</u>
<b>Social and environmental expenses</b>		
Social, environmental and regional engagement	(97,036,666)	(88,553,054)

	<u>(97,036,666)</u>	<u>(88,553,054)</u>
<b>TOTAL</b>	<u><u>(876,273,232)</u></u>	<u><u>(806,843,644)</u></u>

## 27. OTHER REVENUE (EXPENSE)

Revenue and expense deriving from the sale of scrap and unsalvageable equipment, real estate usage fees, contractual fines, equipment write-offs, bank expenses, discounts and other similar revenue and expense, as follows:

	US\$	
	<u>2014</u>	<u>2013</u>
<b>Other revenue</b>		
Disposals	7,467,178	6,693,395
Real estate usage fees	1,320,626	1,394,643
Interest and fines	15,489	1,391,276
Other	78,259	149,136
	<u>8,881,552</u>	<u>9,628,450</u>
<b>Other expense</b>		
Write-off of assets and facilities	(58,155,422)	(23,936,521)
Discounts awarded	(333,016)	(339,101)
Fine expenses	(11,474)	(9,016)
Other	(84,619)	(342,446)
	<u>(58,584,531)</u>	<u>(24,627,084)</u>
	<u><u>(49,702,979)</u></u>	<u><u>(14,998,634)</u></u>

## 28. FINANCIAL EXPENSE - Monetary Variance

	US\$	
	<u>2014</u>	<u>2013</u>
<b>Loans and financing</b>		
FIBRA	<u>1,927,269</u>	<u>3,116,416</u>
<b>Other foreign-exchange variance</b>		
Current assets	(25,748,526)	(60,615,064)
Noncurrent assets	(2,847,484)	(8,738,159)
Current liabilities	11,901,948	30,034,197
Noncurrent liabilities	70,503,142	177,003,064
Other accounts	(1,042)	(2,579)
	<u>53,808,038</u>	<u>137,681,459</u>
	<u><u>55,735,307</u></u>	<u><u>140,797,875</u></u>

## 29. INSURANCE

The Entity's primary property, plant and equipment are insured in accordance with the insurance policy approved by the Board of Directors in 1992, which requires the following coverage:

- a) All Risks coverage for all Dam assets with an insured amount of US\$ 2,317,222,017.
- b) Operations liability insurance for the Dam for an insured amount of US\$ 20,000,000.

In addition to the insurance above, ITAIPU maintains such insurance coverage as is necessary to cover all risks not directly linked to Dam operation. The coverage obtained is consistent with the location of the risk and the market conditions of the relevant country, and includes: fire coverage for office facilities; liability and hull insurance for vehicles; hull and liability insurance for aircraft and vessels and their crews and passengers; injury insurance for tourists visiting ITAIPU; D&O liability; and group life insurance for employees, as detailed in the table below:

Types	Coverage - in US\$
Fire	155,831,039
Vehicles	Liability and hull - 62,084,396
Vessels	Mandatory insurance for personal injury caused by vessels or their cargo (DPEM).
Personal injury - tourists	Death, disablement, and medical and hospital expenses.
Directors and Officers (D&O) Liability	10,000,000
Aircraft	1,322,439
Group Life	For employees: 30 base salaries, limited to 15 top-tier base salaries. For spouses: 50% coverage, limited to 5 top-tier salaries.

### 30. FINANCIAL INSTRUMENTS

The market values of the Entity's financial assets and liabilities have been estimated based on information available in the market and appropriate valuation methodologies. However, considerable judgment was required in interpreting the market data to estimate the most adequate market value. As a result, the estimates below do not necessarily indicate the values that could be realized in the current trading market. The use of different market methodologies may have a material effect on estimated market values.

These financial instruments are managed through operating strategies aimed at liquidity, profitability and security. Our control policy consists of permanently tracking contract rates versus market rates. The Entity does not invest in derivatives or any other risk-containing assets on a speculative basis.

#### a) Breakdown of balances

The carrying balances and market values of the financial instruments included in the statement of financial position as of December 31, 2014 are shown below:

Description	US\$	
	Carrying Amount	Market Value
<b>Assets</b>		
Cash and cash equivalents	1,184,349	1,184,349
Short-term investments	312,766,116	312,766,116
Trade accounts receivable	990,830,029	990,830,029
<b>Liabilities</b>		
Loans and financing	(12,683,170,282)	(12,683,170,282)
Compensation and reimbursement	(684,611,147)	(684,611,147)

#### b) Criteria, assumptions and limitations used in calculating market value

##### (i) Cash and cash equivalents and short-term investments

The market values of balances in current accounts and interest-earning bank deposits at banks are similar to their carrying amounts.

(ii) Accounts receivable

The market values of receivables balances, because of their short-term nature, are approximately the same as their carrying balances.

(iii) Derivatives

The Entity has a policy of avoiding exposure to market risks by not taking positions exposed to short-term exchange fluctuations and trading only in instruments usable to control those risks. Under its financial policies, the Entity does not make any speculative investments in derivatives. As of December 31, 2014, the Entity had no outstanding forward and/or swap contracts.

### 31. RELATED PARTIES

The Entity's most material related-party transactions during financial years 2014 and 2013 consist of electricity sales, loans obtained, obligations under Annex "C" to the ITAIPU Treaty and obligations linked to pension funds, as presented below:

	US\$ thousand				TOTAL
	ELETROBRAS	ANDE	2014		
			FIBRA	CAJUBI	
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Trade accounts receivable	678,433	88,174	-	-	766,607
Agreements	-	19,667	-	-	19,667
<b>Total</b>	<b>678,433</b>	<b>107,841</b>	<b>-</b>	<b>-</b>	<b>786,274</b>
<b>LIABILITIES</b>					
Loans and financing	(4,388,486)	-	(30,512)	(66,292)	(4,485,290)
Compensation and reimbursement	(37,123)	(37,123)	-	-	(74,246)
Social security contributions	-	-	(2,536)	(10,273)	(12,809)
Actuarial liabilities	-	-	-	(925,903)	(925,903)
<b>Total</b>	<b>(4,425,609)</b>	<b>(37,123)</b>	<b>(33,048)</b>	<b>(1,002,468)</b>	<b>(5,498,248)</b>
<b>RESULTS</b>					
<b>REVENUE</b>					
Service revenue	3,147,654	320,459	-	-	3,468,113
Financial revenue	-	400	-	-	400
<b>Total</b>	<b>3,147,654</b>	<b>320,859</b>	<b>-</b>	<b>-</b>	<b>3,468,513</b>
<b>EXPENSE</b>					
Financial expense	(327,897)	-	(3,775)	(4,152)	(335,824)
Compensation and reimbursement	(42,746)	(42,746)	-	-	(85,492)
Social security contributions	-	-	(20,391)	(42,807)	(63,198)
Actuarial expense	-	-	-	(84,536)	(84,536)
<b>Total</b>	<b>(370,643)</b>	<b>(42,746)</b>	<b>(24,166)</b>	<b>(131,495)</b>	<b>(569,050)</b>

	US\$ thousand				
	2013				
	ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Trade accounts receivable	743,965	72,478	-	-	816,443
Agreements	-	20,661	-	-	20,661
<b>Total</b>	<b>743,965</b>	<b>93,139</b>	<b>-</b>	<b>-</b>	<b>837,104</b>
<b>LIABILITIES</b>					
Loans and financing	(5,074,535)	-	(35,558)	(72,283)	(5,182,376)
Compensation and reimbursement	(37,920)	(37,920)	-	-	(75,840)
Social security contributions	-	-	(2,676)	(7,896)	(10,572)
Actuarial liabilities	-	-	-	(847,069)	(847,069)
<b>Total</b>	<b>(5,112,455)</b>	<b>(37,920)</b>	<b>(38,234)</b>	<b>(927,248)</b>	<b>(6,115,857)</b>
<b>RESULTS</b>					
<b>REVENUE</b>					
Service revenue	3,282,292	266,722	-	-	3,549,014
Financial revenue	-	446	-	-	446
<b>Total</b>	<b>3,282,292</b>	<b>267,168</b>	<b>-</b>	<b>-</b>	<b>3,549,460</b>
<b>EXPENSE</b>					
Financial expense	(372,243)	-	(4,323)	(1,028)	(377,594)
Compensation and reimbursement	(44,408)	(44,408)	-	-	(88,816)
Social security contributions	-	-	(20,668)	(39,929)	(60,597)
Actuarial expense	-	-	-	(46,021)	(46,021)
<b>Total</b>	<b>(416,651)</b>	<b>(44,408)</b>	<b>(24,991)</b>	<b>(86,978)</b>	<b>(573,028)</b>

In addition to the transactions above, ITAIPU's related parties further include Fundação de Saúde Itaiguapy, 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 because it engages in financial transactions, such as provision funds for management and investment, with these entities.

### Fundação de Saúde Itaipu 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 employees hired for the construction and operation of the Dam.

To optimize the utilization of these hospitals and as part of its policy of regional integration, ITAIPU elected to extend its hospital services to the communities in the region. In November 1994, under Board of Directors Resolution RCA 019/94, the Entity created Fundação de Saúde Itaipu, a private nonprofit organization tasked with the management and operation of Hospital Ministro Costa Cavalcanti (HMCC) in Brazil. In March 1997, under Board of Directors Resolution RCA 004/97, ITAIPU created Fundação de Saúde Tesai, a private nonprofit organization tasked with the management and operation of Hospital ITAIPU Margem Direita, in Paraguay.

### ITAIPU Technology Park Foundations - FPTI BR and FPTI PY

The ITAIPU Technology Park Foundations were created in 2005 in Brazil under Board of Directors Resolution RCA 010/05, and in 2008 in Paraguay under Board of Directors Resolution RCA 035/08, to gain an understanding of and help transform the trinational region of Iguazu, coordinating and supporting economic, scientific and technological development initiatives with respect for people and a focus on solutions related to water, energy and tourism.

The purpose of these foundations is to maintain and operate the ITAIPU Technological Parks and contribute to regional development in a sustainable manner through initiatives that promote institutional, scientific and ecological development and innovation, the dissemination of knowledge, professional training, and job creation, in collaboration with public and private, academic, research, development and industrial organizations.

### Compensation for key management personnel

The table below presents the compensation, positions and benefits related to key Management personnel:

	US\$ thousand	
	2014	2013
Compensation for officers and directors	(7,287)	(7,565)
Payroll charges	(732)	(697)
Benefits	(1,210)	(1,016)
	<u>(9,229)</u>	<u>(9,278)</u>

## 32. SUBSEQUENT EVENTS

Regarding the judgment n° 88/2015 - Plenary - TCU (Court of Union Accounts), January 28, 2015, the ITAIPU preliminarily adds which is not contrary to any new external control, since faithfully observed the Federal Constitution, especially Article 71, V, and the legislation, including the Treaty of Itaipu and the Vienna Convention on the Law of Treaties, reason why are necessary prior understandings and diplomatic instruments between the two national governments.

The ITAIPU have to report yet: a) since the 1970s, the question of the possibility of unilateral control by TCU in ITAIPU has been intermittently raised, always prevailing the position that is legally unfeasible; b) there are no "national accounts" in Itaipu and the Treaty of Itaipu, or any other diplomatic instrument, does not mention the control by the TCU; c) the judgment cited is not definitive and your effects are suspended by the Opposition of Embargoes Declaration and may even suffer modification by TCU or judicially; d) The Itaipu considers currently active the judgment No. 279/95-Plenum-TCU, which interprets and properly apply Article 71, V, of the Federal Constitution; e) the matter is under judicial consideration in the original civil suit No. 1905-PR, pending in the Supreme Court of Justice, where the Prosecutor General of the Republic has issued opinion by the impossibility of unilateral enforcement of TCU. The Republic of Paraguay and the Federal Union, which are part of this action, have the same position; f) there is a judicial final decision in the Supreme Court of Justice (judgment 280/2011) which concludes essentially the same; g) there are numerous official legal demonstrations, doctrinal, legal, technical, including TCU itself, which corroborate the understanding of ITAIPU and calls into question the judgment of the conclusions n° 88/2015.

\* \* \* \* \*





**ADDITIONAL INFORMATION**

**ADDITIONAL INFORMATION**

**STATEMENT OF ADDED VALUE**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**(In United States dollars)**

	<u>2014</u>	<u>2013</u>
<b>GENERATION OF ADDED VALUE</b>		
<b>Revenue</b>		
Power supply	3,291,012,000	3,291,012,000
Compensation for equity electricity	318,374,804	377,020,357
Reimbursement of costs - non-contract power	70,975,712	132,328,557
Other revenue (expense)	(49,702,979)	(14,998,634)
	<u>3,630,659,537</u>	<u>3,785,362,280</u>
<b>(-) Inputs purchased from third parties</b>		
Materials	17,901,251	16,429,962
Outsourced services	101,961,380	106,702,421
Others operating expenses	74,912,219	80,913,537
	<u>194,774,850</u>	<u>204,045,920</u>
<b>GROSS ADDED VALUE</b>	<u>3,435,884,687</u>	<u>3,581,316,360</u>
<b>(+) Added value received by transfer</b>		
Financial revenue	62,651,745	25,240,357
<b>ADDED VALUE TO BE DISTRIBUTED</b>	<u>3,498,536,432</u>	<u>3,606,556,717</u>
<b>DISTRIBUTION OF ADDED VALUE</b>		
<b>Compensation:</b>		
<b>Employees</b>		
Direct compensation	294,442,152	319,684,107
Benefits	164,906,101	166,979,004
Post-employment benefits	123,996,093	43,921,855
Labor indemnities	51,200,778	22,365,649
FGTS	6,920,204	7,084,133
	<u>641,465,328</u>	<u>560,034,748</u>
<b>Government</b>		
INSS and IPS	40,033,054	42,762,976
Royalties	477,204,666	528,810,294
Compensation for equity electricity	318,374,804	377,020,357
	<u>835,612,524</u>	<u>948,593,627</u>
<b>Third-party capital</b>		
Interest on debt	885,738,220	960,998,877
Monetary variance	(55,735,307)	(140,797,875)
Other financial expense	2,145,628	7,766
	<u>832,148,541</u>	<u>820,208,768</u>
<b>Equity</b>		
Income on capital	48,784,814	48,139,048
Reimbursement of management and supervision costs	36,708,052	40,677,714
	<u>85,492,866</u>	<u>88,816,762</u>
<b>Profit for the year</b>	<u>1,103,817,173</u>	<u>1,188,902,812</u>
<b>ADDED VALUE DISTRIBUTED</b>	<u>3,498,536,432</u>	<u>3,606,556,717</u>

ADDITIONAL INFORMATION  
STATEMENT OF CASH FLOW  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(In United States dollars)

	<u>2014</u>	<u>2013</u>
<b>CASH FROM OPERATING ACTIVITIES</b>		
Profit for the year	1,103,817,173	1,188,902,812
Adjustments to profit		
Write-off of property, plant and equipment	58,155,422	23,936,521
Monetary variance - loans	(1,927,269)	(3,116,416)
Monetary variance - estimated liabilities	(70,503,142)	(177,003,049)
Provision for liabilities		
Financial charges - loans	885,768,845	960,998,877
Estimated obligations	69,969,179	(9,053,366)
<b>Adjusted profit (loss)</b>	<u>2,045,280,208</u>	<u>1,984,665,379</u>
<b>Changes in assets and liabilities</b>		
Changes in trade accounts receivable	16,490,493	(40,282,168)
Changes in supplies	164,362	(185,536)
Changes in other accounts receivable	14,326,704	15,948,262
Changes in compensation and reimbursement	(28,882,569)	44,529,884
Changes in trade accounts payable and other liabilities	(2,475,056)	(25,019,820)
Changes in payroll and payroll charges	4,001,555	685,465
Changes in estimated liabilities	(34,155,277)	(60,448,989)
	<u>(30,529,788)</u>	<u>(64,772,902)</u>
<b>Net cash from operating activities</b>	<u>2,014,750,420</u>	<u>1,919,892,477</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(41,455,814)	(36,646,144)
<b>Cash used in investing activities</b>	<u>(41,455,814)</u>	<u>(36,646,144)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Loans and financing obtained	8,660,000	26,049,560
Amortization of loans and financing	(1,168,196,548)	(1,092,539,729)
Interest on loans and financing	(887,172,620)	(963,654,859)
<b>Cash used in financing activities</b>	<u>(2,046,709,168)</u>	<u>(2,030,145,028)</u>
<b>TOTAL EFFECT ON CASH AND CASH EQUIVALENTS</b>	<u>(73,414,562)</u>	<u>(146,898,695)</u>
Opening balance of cash and cash equivalents	387,365,027	534,263,722
Closing balance of cash and cash equivalents	313,950,465	387,365,027
<b>Changes in cash and cash equivalents</b>	<u>(73,414,562)</u>	<u>(146,898,695)</u>

**ADDITIONAL INFORMATION**  
**STATEMENT OF OPERATION ACCOUNTS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(In United States dollars)

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Revenue from power service contracts:		
Brazilian purchasing entity	2,994,640,753	3,047,366,960
Paraguayan purchasing entity	296,371,247	243,645,040
Compensation for equity electricity	318,374,804	377,020,357
Reimbursement of costs - non-contract power	70,975,712	132,328,557
<b>Total revenue</b>	<u><b>3,680,362,516</b></u>	<u><b>3,800,360,914</b></u>
<b>LESS:</b>		
<b>COMPENSATION FOR EQUITY ELECTRICITY</b>	<u><b>(318,374,804)</b></u>	<u><b>(377,020,357)</b></u>
<b>COST OF ELECTRICITY SERVICE</b>		
Compensation and reimbursement for Contracting States and Members of ITAIPU:		
Income on capital	(48,784,814)	(48,139,048)
Contract power		
Royalties	(411,298,648)	(405,933,777)
Reimbursement of management and supervision costs	(31,638,358)	(31,225,674)
	<u>(442,937,006)</u>	<u>(437,159,451)</u>
Non-contract power		
Royalties	(65,906,018)	(122,876,517)
Reimbursement of management and supervision costs	(5,069,694)	(9,452,040)
	<u>(70,975,712)</u>	<u>(132,328,557)</u>
	<u><b>(562,697,532)</b></u>	<u><b>(617,627,056)</b></u>
<b>Amortization of loans and financing</b>	<u><b>(1,166,850,726)</b></u>	<u><b>(1,091,293,597)</b></u>
<b>Financial charges on loans and financing</b>	<u><b>(885,947,292)</b></u>	<u><b>(962,335,506)</b></u>
<b>Operation expenses</b>		
Personnel	(557,907,730)	(548,877,366)
Materials and equipment	(35,185,523)	(32,998,059)
Outsourced services	(113,380,027)	(110,937,830)
Other operation expenses	(96,886,045)	(71,624,213)
	<u><b>(803,359,325)</b></u>	<u><b>(764,437,468)</b></u>
<b>Total cost of electricity service</b>	<u><b>(3,418,854,875)</b></u>	<u><b>(3,435,693,627)</b></u>
<b>PROFIT (LOSS) FROM OPERATION</b>	<u><b>(56,867,163)</b></u>	<u><b>(12,353,070)</b></u>
Prior-year balance	(170,207,551)	(157,854,481)
Financial and other revenue	151,927,563	-
<b>CUMULATIVE PROFIT (LOSS) FROM OPERATION</b>	<u><u><b>(75,147,151)</b></u></u>	<u><u><b>(170,207,551)</b></u></u>

**NOTES TO THE STATEMENTS OF OPERATION ACCOUNTS**

**DECEMBER 31, 2014 AND 2013**

Annex "C" to the ITAIPU Treaty - "Financial and Electricity Service Provision Framework" defines the Operation Account as an annual balance between electricity service income and cost, computed using the criteria below:

**a) Revenue**

Revenue derives from the provision of electricity service under the Letter of Commitment signed with Centrais Elétricas Brasileiras S.A. - ELETROBRAS in Brazil and the Letter of Agreement signed with Administración Nacional de Electricidad - ANDE in Paraguay, as set out in section IV of Annex "C" to the ITAIPU Treaty, and should be equal to the Cost of Electricity Service each year.

The Board of Directors of ITAIPU establishes the unit cost of electricity service in accordance with the requirements set out in the relevant documents.

**b) Cost of Electricity Service**

Under section III of Annex "C" to the ITAIPU Treaty, Revertive Notes 3 and 4 of January 28, 1986, and Revertive Note 10 of November 13, 2000, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, the Cost of Electricity Service comprises the following items:

- Compensation and reimbursement to the Contracting Parties and Members of ITAIPU, as follows:

Income on Capital - Calculated as the equivalent of 12% per year on the interest of Centrais Elétricas Brasileiras S.A. (ELETROBRAS) and Administración Nacional de Electricidad (ANDE) in the Entity's paid up capital. Since January 2001, income on capital has been subject to adjustments in accordance with Revertive Note 10 of November 13, 2000.

Royalties - Calculated as the equivalent of 650 United States Dollars per gigawatt-hour of power generated and measured at the Dam, but never to be less than 18 million United States dollars per year, paid in equal shares to the two State Parties.

Reimbursement of Management and Supervision Costs - Calculated as the equivalent of 50 United States Dollars per gigawatt-hour generated and measured at the Hydroelectric Dam, paid in equal shares to Centrais Elétricas Brasileiras S.A. - ELETROBRAS and Administración Nacional de Electricidad - ANDE.

Compensation for Equity Electricity - Calculated as the equivalent of 300 United States Dollars per gigawatt-hour of equity electricity transferred by one Contracting State to the other.

Revertive Notes 3 and 4 of January 28, 1986, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, establish that compensation for equity power is to be included exclusively in the rate paid by the Party consuming the transferred equity electricity.

Royalties, Reimbursement of Management and Supervision Costs and Compensation for Equity Electricity, calculated as set out above, have been multiplied as from FY 1992 by a factor of 4.00 (four point zero zero); as from financial year 2006, under further Revertive Notes between the Brazilian and Paraguayan governments, exchanged on December 08, 2005, Compensation for Equity Electricity has been multiplied by a factor of 5.10 (five point one zero) for the purposes of section III.8 of Annex "C" to the Treaty.

On May 14, 2011, the multiplication factor for the compensation paid to the Government of the Republic of Paraguay for equity power transferred to Brazil increased from 5.10 (five point one zero) to 15.30 (fifteen point three zero) under Revertive Notes concluded on September 1, 2009 between the Government of the Federative Republic of Brazil (promulgated by Decree 7506 of June 27, 2011) and the Government of the Republic of Paraguay (approved by Act 3923 of November 18, 2009).

These costs will be kept constant using the formula established in Revertive Note 3, with 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
2003	4.00	1.53284	6.13136
2004	4.00	1.59690	6.38760
2005	4.00	1.68959	6.75836
2006	4.00	1.76153	7.04610
2006	5.10	1.76153	8.98378
2007	4.00	1.81921	7.27684
2007	5.10	1.81921	9.27797
2008	4.00	1.94133	7.76534
2008	5.10	1.94133	9.90080
2009	4.00	1.85365	7.41460
2009	5.10	1.85365	9.45362
2010	4.00	1.93060	7.72240
2010	5.10	1.93060	9.84606
2011	4.00	2.03768	8.15072
Jan to May 2011	5.10	2.03768	10.39217
May to 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	2.10372	8.41488
2014	15.30	2.10372	32.18692

(\*) Basis: average annual inflation in the United States based on the “Industrial Goods” and “Consumer Prices” indexes published in International Financial Statistics.

- Amortization of Loans and Financing: this item refers to contractual obligations to financial institutions in Brazil and other countries that have been amortized during the period.
  
- Financial Charges on Loans and Financing: charges paid to financial institutions in Brazil and other countries, incurred up to the reporting date.

These do not include interest that has been capitalized during the period and incorporated in the principal, which is included in the cost of service only upon payment.

As from FY 2012, the Operation Account has no longer included the amortization of and charges on loans from CAJUBI under contracts PIB 2010-10-0001 and PIB 2012-10-0001, as these amounts are reimbursed to ITAIPU by ANDE under amendment 2 to Agreement 5808/99.

As from FY 2014, the Operation Account has no longer included the amortization of and charges on loans from Banco ITAU Paraguai for works and services to improve the Alto Paraná Area Power System in Paraguay under Executive Committee Resolution RDE-076/14 and Board of Directors Resolution RCA-013/14.

- Operation Expenses: these comprise all expenses attributable to the provision of electricity service, including direct operation and maintenance expenses, which include equipment replacement as a result of normal wear and tear, insurance, and general and administrative expenses.
  
- PROFIT (LOSS) FROM OPERATION: the profit or loss under the Operation Account for the period, following addition or deduction of the prior-year balance.

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**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2014 AND 2013**

-----  
Jorge Miguel Samek  
Managing Director, Brazil

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James Spalding Hellmers  
Managing Director, Paraguay

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Airton Langaro Dipp  
Executive Director, Technical

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José María Sánchez Tillería  
Director, Technical

-----  
Cezar Eduardo Ziliotto  
Director, Legal

-----  
Luis Alberto Breuer González  
Executive Director, Legal

-----  
Edésio Franco Passos  
Director, Administrative

-----  
Carlos Jorge Paris Ferraro  
Executive Director, Administrative

-----  
Margaret Mussoi Luchetta Groff  
Executive Director, Financial

-----  
Miguel Ángel Gomez Acosta  
Director, Financial

-----  
Nelton Miguel Friedrich  
Director, Coordination

-----  
Francisco Pedro Domaniczky Lanik  
Executive Director, Coordination

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Salomão Galperin  
Assistant Superintendent, Budgeting and  
Accounting

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Luis Ricardo Molinas Acosta  
Superintendent, Budgeting and Accounting

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Simone Rogoginski  
Accountant - CRC PR-045840/O-2

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María Krauwczuk Galeano  
Accounting Department