



**FINANCIAL STATEMENTS AS OF
31 DECEMBER 2013 AND 2012**



INDEPENDENT AUDITORS' REPORT



BENITEZ CODAS & ASOCIADOS
Audidores, Asesores & Consultores
Corresponsal en el Paraguay de
KPMG International Cooperative ("KPMG
International")

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

The Directors and Shareholders
Itaipu Binacional

We have examined the financial statements of Itaipu Binacional, which comprise the balance sheet at December 31, 2013 and the related statements of income and of changes in financial position for the year then ended, expressed in US dollars, as well as the summary of the main accounting practices and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The MANAGEMENT of Itaipu Binacional is responsible for the preparation and adequate presentation of these financial statements in accordance with the specific rules contained in the Treaty for the establishment of the Entity and its appendixes of April 26, 1973 (cited in note 2) and for the internal controls it considered necessary to permit the preparation of financial statements free of material misstatement regardless of whether caused by fraud or error.

RESPONSIBILITY OF THE INDEPENDENT AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian, Paraguayan and international auditing standards. These standards demand compliance with ethical requirements by the auditors and that the audit is planned and conducted for the purpose of obtaining reasonable assurance that the financial statements are free of material misstatement.

An audit involves the performance of selected procedures in order to obtain evidence with respect to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment and include an assessment of the risks of material misstatement in the financial statements, regardless of whether caused by fraud or error. In this risk assessment, the auditor considers the relevant internal controls for the preparation and adequate presentation of the Entity's financial statements in order to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Entity's internal controls. An audit also includes the evaluation of the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by Management, as well as the evaluation of the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITAIPU Binacional at December 31, 2013, the result of its operations and the changes in financial position for the financial year then ended, in accordance with the specific provisions contained in the Treaty of April 26, 1973, (cited in note 2), and embodied in the chart of accounts and rules for preparation of accounting records, approved by the Board of Directors of ITAIPU Binacional. These accounting standards differ, in some material respects, from accounting practices adopted in Brazil and in Paraguay, as described in note 2 (i) to (v).

EMPHASIS

As described in note 20 a), Caja Paraguaya de Jubilaciones y Pensiones de la Itaipu Binacional (CAJUBI), the entity which manages the program for retirement and pensions of employees of Itaipu Binacional, in Paraguay, presented on December 31, 2013 an actuarial deficit of US \$ 847,069 thousand, for which a provision was recorded in the full amount of this deficit.

We stress that with regard to the point emphasized, there is no qualification with respect to our opinion.

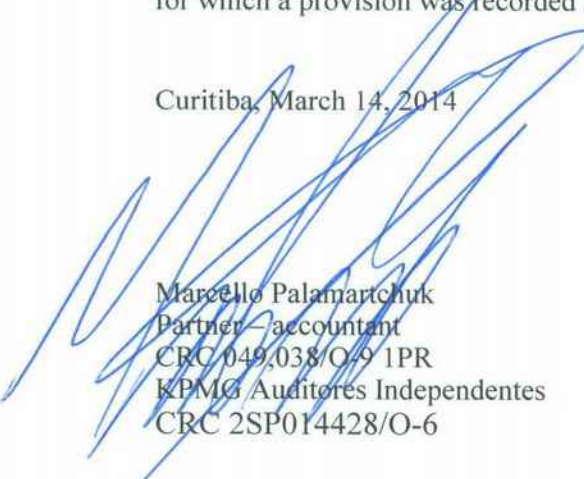
OTHER MATTERS

Our examinations were conducted for the purpose of issuing an opinion on the financial statements described in the first paragraph, taken as a whole. The statements of added value, of cash flows and of operating accounts for the year ended December 31, 2013, contained in tables I, II, III and annex I, which are being presented to provide supplementary information on the entity, are not required as an integral part of the financial statements. These statements were submitted to the audit procedures described in the second paragraph and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements, taken as a whole.

Audit of the amounts corresponding to the previous year


The amounts corresponding to the year ended December 31, 2012, presented for comparison purposes, were audited previously by other independent auditors who issued a report dated February 28, 2013, which did not contain a qualification, but contained an emphasis on the actuarial deficit of Caja Paraguaya de Jubilaciones y Pensiones de Personal de la Itaipu Binacional (CAJUBI) and Fundação Itaipu-Br de Previdência e Assistência Social (FIBRA), for which a provision was recorded in the full amount of this deficit.

Curitiba, March 14, 2014



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Asunción, March 14, 2014.



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BALANCE SHEET AT DECEMBER 31, 2013 AND 2012

(In dollars of the United States of America)

<u>ASSETS</u>			
	<u>Note</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
CURRENT ASSETS			
Cash and cash equivalents	6	387.365.027	534.263.722
Trade accounts receivable	7	1.007.320.522	967.038.354
Supplies	8	6.656.848	6.471.312
Bonds receivable	9	3.288.033	732.843
Deposits in court	10	21.106.491	28.546.392
Other accounts receivable	11	63.452.965	54.399.297
TOTAL CURRENT ASSETS		1.489.189.886	1.591.451.920
NON-CURRENT ASSETS			
Bonds receivable	9	200.840.198	221.170.351
Deposits in court	10	43.953.374	42.379.657
		244.793.572	263.550.008
RESULTS			
Of prior years	12	(942.516.046)	(421.953.392)
Of the current year		(1.188.902.812)	(520.562.654)
		(2.131.418.858)	(942.516.046)
PROPERTY, PLANT AND EQUIPMENT			
	13	17.488.882.033	17.477.652.841
INTANGIBLE ASSETS			
	14	22.288.878	20.808.447
TOTAL NON-CURRENT ASSETS		15.624.545.625	16.819.495.250
TOTAL ASSETS		17.113.735.511	18.410.947.170

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See the accompanying notes to the financial statements.

BALANCE SHEET AT DECEMBER 31, 2013 AND 2012

(In dollars of the United States of America)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Note</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
CURRENT			
LIABILITIES			
Loans and financing	15	1.168.918.872	1.097.120.841
Remuneration and reimbursements	16	713.493.716	668.963.832
Accounts payable to suppliers	17	59.514.157	83.282.430
Salaries and payroll charges	18	58.919.188	58.233.723
Labor severance pay	19	27.505.259	23.995.933
Provisions for legal proceedings	21	134.774.746	234.144.839
Other liabilities	22	3.357.166	4.968.364
TOTAL CURRENT LIABILITIES		2.166.483.104	2.170.709.962
NON-CURRENT LIABILITIES			
Loans and financing	15	12.675.882.137	13.818.581.952
Labor severance pay	19	345.044.078	376.466.918
Post employment benefits	20	1.696.400.179	1.814.318.349
Provisions for legal proceedings	21	126.411.007	127.714.634
Other liabilities	22	3.515.006	3.155.355
TOTAL NON-CURRENT LIABILITIES		14.847.252.407	16.140.237.208
TOTAL LIABILITIES		17.013.735.511	18.310.947.170
SHAREHOLDERS' EQUITY			
Capital	23		
Centrais Elétricas Brasileiras S.A.		50.000.000	50.000.000
Administración Nacional de Electricidad		50.000.000	50.000.000
TOTAL SHAREHOLDERS' EQUITY		100.000.000	100.000.000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17.113.735.511	18.410.947.170


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See the accompanying notes to the financial statements.

STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In dollars of the United States of America)

	Note	2013	2012
OPERATING INCOME	24		
Supply of electric power		3.291.012.000	3.291.012.000
Remuneration for assignment of power		377.020.357	378.718.002
Reimbursement of costs - power that is available		132.328.557	128.136.896
Total operating income		3.800.360.914	3.797.866.898
OPERATING EXPENSES			
REMUNERATIONS AND REIMBURSEMENTS	25		
Capital earnings		(48.139.048)	(47.789.688)
Remuneration for assignment of power		(377.020.357)	(378.718.002)
Pledged power			
Royalties		(405.933.777)	(404.245.066)
Reimbursement of admin. and supervision costs		(31.225.674)	(31.095.774)
		(437.159.451)	(435.340.840)
Power that is available			
Royalties		(122.876.517)	(118.984.260)
Reimbursement of admin. and supervision costs		(9.452.040)	(9.152.636)
		(132.328.557)	(128.136.896)
		(994.647.413)	(989.985.426)
Administrative and general expenses	26		
Personnel		(558.875.869)	(574.014.551)
Actuarial provisions		(43.921.855)	(424.962.959)
Materials		(16.429.962)	(16.152.007)
Third-party services		(106.702.421)	(104.645.775)
Provisions for legal proceedings		58.759.955	14.049.475
Other operating expenses		(139.673.492)	(136.422.148)
		(806.843.644)	(1.242.147.965)
Total operating expenses		(1.801.491.057)	(2.232.133.391)
INCOME FROM THE SERVICE		1.998.869.857	1.565.733.507
OTHER INCOME (EXPENSES)	27		
Other income		9.628.450	4.640.234
Other expenses		- 24.627.084	- 15.125.174
Total other income (expenses)		- 14.998.634	- 10.484.940
FINANCIAL INCOME			
Income from financial investments		21.033.597	56.847.543
Arrears on power bills		3.453	-
Other financial income		4.203.307	(5.303.324)
Total financial income		25.240.357	51.544.219
FINANCIAL EXPENSES			
Capitalizable financial charges		(2.322.697)	(1.250.261)
Non capitalizable financial charges		(958.676.180)	(1.028.757.080)
Charges on remunerations and reimbursements		(2.071)	-
Monetary variations	28	140.797.875	(56.155.222)
Other financial expenses		(5.695)	(67.569)
Total financial expenses		(820.208.768)	(1.086.230.132)
FINANCIAL RESULTS		(794.968.411)	(1.034.685.913)
INCOME FOR THE YEAR		1.188.902.812	520.562.654

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In dollars of the United States of America)

	2013	2012
Sources of funds		
Operations		
Income for the year	1.188.902.812	520.562.654
Expenses not affecting working capital		
Long-term monetary variations - loans	(3.385.846)	(1.134.645)
Long-term monetary variations - estimated liabilities	(177.003.049)	24.276.329
Long-term capitalizable costs	2.322.697	1.250.261
Write-off of property, plant and equipment	23.936.521	14.326.249
	<u>1.034.773.135</u>	<u>559.280.848</u>
From third parties		
Increase in non-current liabilities	138.153.721	554.590.734
Transfer of current liabilities to non current liabilities	66.898.952	13.552.830
Transfer of non-current assets to current assets	6.610.409	4.310.756
Decrease in non-current assets	30.444.499	14.409.765
Funds received - loans	26.049.560	18.589.225
	<u>268.157.141</u>	<u>605.453.310</u>
TOTAL SOURCES OF FUNDS	<u>1.302.930.276</u>	<u>1.164.734.158</u>
APPLICATIONS OF FUNDS		
Investments in property, plant and equipment and intangible assets	36.646.144	42.898.590
Increase in non-current assets	18.257.042	27.580.418
Decrease in non-current liabilities	147.207.087	56.527.653
	<u>202.110.273</u>	<u>127.006.661</u>
Transfer from long to short term - loans	1.167.727.656	1.096.271.105
Transfer of long to short term - estimated liabilities	31.127.522	100.099.719
	<u>1.198.855.178</u>	<u>1.196.370.824</u>
TOTAL APPLICATIONS	<u>1.400.965.451</u>	<u>1.323.377.485</u>
DECREASE IN NET WORKING CAPITAL	<u>(98.035.175)</u>	<u>(158.643.327)</u>
STATEMENT OF CHANGE IN NET WORKING CAPITAL		
Final net working capital		
Final current assets	1.489.189.886	1.591.451.919
Final current liabilities end	(2.166.483.104)	(2.170.709.962)
	<u>(677.293.218)</u>	<u>(579.258.043)</u>
Opening net Working Capital	(579.258.043)	(420.614.716)
Decrease in net working capital	<u>(98.035.175)</u>	<u>(158.643.327)</u>

See the accompanying notes to the financial statements.



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Notes to the financial statements

DECEMBER 31, 2013 AND 2012

(Amounts in US dollars)

1. OPERATIONS

ITAIPU is a binational entity created and governed, with equal rights and obligations under the Treaty signed on April 26, 1973, between the Federative Republic of Brazil and the Republic of Paraguay, also referred to as Contracting States, and its capital belongs in equal parts to Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE, also referred to as Parties.

ITAIPU has its head offices located in Brasília, capital of the Federative Republic of Brazil and Asunción, capital of Paraguay and it has full tax exemption in both countries, according to the signed Treaty.

Its purpose is to generate hydroelectric power from the water resources of the Paraná River, belonging indivisibly to the two countries, from and including Salto de Guaira to the mouth of the Iguaçu River, through the construction and operation of a hydroelectric power station, with a total installed capacity of 14,000 MW, generating electric power of quality, with social and environmental responsibility, driving sustainable economic, tourist and technological development in Brazil and Paraguay.

ITAIPU formally started operations on May 17, 1974 and the hydroelectric power station was officially inaugurated on October 25, 1984, and from March 1985 it had two generating units available for contracting by Brazil and Paraguay. The first stage of implementation of the generating units was completed in 1991. With the entry into operation of the last two generating units in December 2006 and in April 2007, the hydroelectric power station began to provide 12,135 MW of power available for contracting by Eletrobras and ANDE.

In 2013, ITAIPU generated 98.6 billion kWh, exceeding its record for power generation of 2012 of 98.3 billion kWh, thus retaining the title of largest producer of clean, renewable energy in the world.

ITAIPU is governed by the rules established in the Treaty and its Appendixes, listed below, and its management bodies consist of a Board of Directors and an Executive Board, composed of equal numbers of members from each country.

Appendix "A" - Statute of ITAIPU.

Appendix "B" - General description of the facilities for the production of electric power and of the auxiliary works.

Appendix "C" - Financial Bases and bases for Providing Electricity Services of ITAIPU.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

As established in the entity's official acts, ITAIPU's financial statements comprise the Balance Sheet, the Statement of Income, the Statement of Changes in Financial Position and the Notes to the Financial Statements.

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

The Financial Statements and Supplementary Information have been prepared substantially in accordance with accounting practices adopted in Brazil and Paraguay, subject to the specific provisions established in the Treaty, its Appendixes and other official acts.

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

- i) Depreciation of property, plant and equipment and amortization of intangible assets are not calculated, as cited in Note 4.b;
- ii) The Entity's results are not presented in the Balance Sheet. They are presented under Results, pertaining to the Assets (Note 12);
- iii) The interest on shareholders' equity paid to the parties does not take into consideration the realization of profits. It is part of the liabilities and represents an operating expense in the results (Note 16);
- iv) The Statement of Changes in Financial Position is part of the Entity's Financial Statements and the Statements of Cash Flow and Added Value are presented as supplementary information; and
- v) ITAIPU does not prepare the Statement of Changes in Shareholders' Equity and the Statement of Comprehensive Income because its Equity is not changed;

The financial statements are part of the Entity's annual report.

3. RELATIONSHIP WITH INDEPENDENT AUDITORS

ITAIPU has a contract with the Consortium KPMG Auditores Independentes - BCA Benitez Cudas & Asociados, composed of the firms KPMG Auditores Independentes, with its head office in Sao Paulo, Brazil and Benitez Cudas BCA & Asociados, with its head office in Asunción, Paraguay, to perform the external audit services of the Financial statements and of the internal controls, in accordance with the Sarbanes-Oxley Act (SOX), for the years 2013 and 2014.

There is no other existing contract with the Consortium or any of the member companies.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

In the preparation of the Entity's financial statements the following accounting practices were adopted to record its economic and financial transactions:

a) Reference currency for recoding transactions

In the accounting transactions and in the presentation of financial statements the currency of the United States of America is adopted as the reference currency, as established in Appendix "A" to the Treaty.

The amounts of transactions and economic and financial operations, conducted in different currencies are translated into the United States dollar based on the market closing rates published by the Central Bank of Brazil and Paraguay, in accordance with the following criteria:

- Property, plant and equipment, intangible assets and other costs - at the rates of the day prior to the date on which the costs were incurred.
- Capital - at the rates in force on the dates it was paid in.
- Loans and financing - updated in the currency of origin in accordance with contractual rates and translated into the reference currency at the exchange rate adopted for the last business day of each calendar month.
- Other asset and liability balances - translated at the rates adopted for the last business day of each calendar month.

Operating income resulting from providing electricity services are calculated and recorded in U.S. dollars and the amounts of invoices related to them are received in Reais or Guaranis, by applying the rates in force on the day prior to receipt.

Capital income, royalties and reimbursement of administration and supervision expenses, as well as the remuneration for assignment of electric power, components of operating expenses are calculated and recorded in U.S. dollars and paid in Reais or in Guaranis, at the rates in force on the day prior to their payment.

Operating expenses, financial expenses and other expenses and financial income and other income are translated at the rates of the day prior to the date on which they are incurred.

b) Property, plant and equipment and intangible assets

The investments in the works, related to acquisition, construction, assembly and engineering, including general administration expenses, financial charges on third party funds during the construction period, pre-operating expenses for mobilization and training of personnel during the construction period and apportionment of administrative expenses were recorded in the accounting in accordance with the principle of historical cost.

Income and restitutions received due to exemptions and tax benefits related to the works were recorded in the accounting during the construction period as a reduction in the cost of the work. From the start of the operation of hydroelectric power station they were apportioned between the cost of labor and other income and, as from the start of total operation, they are now recorded as other income.

ITAIPU does not record the depreciation of property, plant and equipment and the amortization of intangible assets as its income is calculated based on the charges of the liabilities and also because these expenses are not part of the cost of the electricity service, as defined in Appendix "C" to the Treaty.

c) Operating Income

It comprises the amounts resulting from the providing of electricity services, based on the contracted power for the ELETROBRAS companies in Brazil, and for ANDE, in Paraguay, in the terms of the commitment and agreement signed for this purpose, as well as the reimbursement of costs of power in addition to the guaranteed power not associated with the contracted power.

Remuneration for assignment of electric power, debited to ELETROBRAS and the Ministry of Mines and Energy of Brazil, is credited to the Government of Paraguay, due to the assignment of part of the power to which it is entitled.

d) Operating expenses

They comprise the costs of operation, maintenance and administration related to the exploitation of the hydroelectric power station, the remuneration and reimbursements to the contracting states and to the parties included in Appendix "C" of the Treaty and, from 2005, expenditure with socio-environmental responsibility programs, due to Reversal Notes 228/05 of the Embassy of Brazil in Asunción and 001/05 of the Ministry of Foreign Affairs of Paraguay, both of March 31, 2005. Operating expenses are recognized on the accrual basis.

e) Financial Income

It comprises revenue from income on investments in banks, the updating of deposits in guarantee that are an integral part of the Brazilian foreign debt restructuring agreement, from arrears for delay in receipt of billing for providing of electricity service invoices, from discounts obtained, the interest resulting from the agreement signed with ANDE for the construction of the substation on the right bank and other financial income.

f) Financial Expenses

They encompass the financial charges of the loan and financing agreements, the net monetary losses that comprise monetary indexation and exchange variations arising from contractually established transactions, mainly in Reais and Guaranis, translated into the currency of the accounting records of the transactions, the U.S. dollar, as described in item "a" of this Note, and of financial charges due on the remunerations and reimbursements and of other financial expenses.

g) Other Income/Expenses

They include the income and expenses from the sale of scrap and unserviceable equipment, fees for occupation of real estate properties, sale from public bidding, write-off of equity assets and others.

h) Post-employment benefits

ITAIPU recognizes its obligations under the employee benefit plans and adopts the following practices:

- i) the cost of the retirement plan and pensions and the health program is calculated by independent actuaries using the projected credit unit method and the estimated improvements with respect to expected investment performance plans for funds, salary increases, retirement age of the employees, turnover, mortality, expected cost from health care, among others, respecting the particularities of each country;
- ii) the cost of the retirement plan and pensions is recognized in the Entity's Financial Statements, net of the plan's assets (Note 20.a);
- iii) the cost of the health care program is fully recognized in the Entity's financial statements (Note 20. b).

i) Profit sharing

Payment to employees of the amounts classified as profit sharing is recorded in the equity accounting on a cash basis, due to the uncertainty involving these payments and the impossibility of making a reliable estimate of the amount of the obligation, in accordance with what is established in the term of agreement of goals for the distribution of profit sharing, signed each year.

5. EFFECTS OF EXCHANGE RATE VARIATIONS ON THE FINANCIAL STATEMENTS

The Entity's operations, conducted in various currencies, mainly in Reais and in Guaranis, are recorded in the accounting through reference to the U.S. dollar.

The effects of changes in the purchasing power of these currencies are reflected in the financial statements in accordance with the translation criteria described in note 4, to the extent of their variation in relation to the exchange rate of the U.S. dollar.

U.S. dollar exchange rates

At December 31	Brazil		Paraguay	
	Rates in Reais (R\$)	Annual variation -%	Rates in Guaranis (Gs)	Annual variation -%
2004	2.6544	(8.1)	6,240	2.3
2005	2.3407	(11.8)	6,150	(1.4)
2006	2.1380	(86)	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

The amounts recorded in U.S. dollars remain recorded at historical cost.

The situation of the main inflation indices in 2013 and 2012 is shown in the table below for information purposes only.

Inflation indices

		<u>In percentage - %</u>	
		<u>2013</u>	<u>2012</u>
Brazil:			
Amplified consumer price index - IPCA			
The Brazilian Institute of Geography and Statistics		5.9	5.8
General price index - IGP-DI			
Fundação Getúlio Vargas		5.5	8.1
Paraguay:			
Consumer price index- IPC			
Central Bank of Paraguay		3.7	4.0
Unites States of America			
Average of the "Industrial Goods" and "Consumer Prices" indexes		0.9	1.1

6. CASH AND CASH EQUIVALENTS

They comprise bank deposits and cash, held in Reais and in Guaranis, equivalents in U.S. dollars and also those held in this currency in the banks of Paraguay.

		<u>US\$</u>	
		<u>2013</u>	<u>2012</u>
Cash		11,055	13,012
Bank account turnover		129,194	739,879
Financial investments			
In Brazil			
Caixa Econômica Federal - FIC Ideal RF		22,727	26,881
Caixa Econômica Federal - CDB Flex		200,340,306	263,427,116
Banco do Brasil - CDB DI		164,476,785	255,718,322
Banco do Brasil - fixed income 25 thousand		65,684	70,260
		<u>364,905,502</u>	<u>519,242,579</u>

In Paraguay		
Regional Bank	11,343,781	9,226,638
Banco do Brasil	108,815	117,135
Banco Nacional de Fomento	50,656	43,230
Banco Bilbao Vizcaya Argentaria - BBVA	89,691	144,755
Banco Amambay	79,171	733,153
Banco Continental	172,952	401,510
Banco HSBC	-	278,052
Banco Itaú	9,228,449	2,744,472
Sudameris Bank	118,919	433,599
Vision Banco	59,022	145,708
Banco Bancop	1,067,820	-
	<u>22,319,276</u>	<u>14,268,252</u>
	<u>387,224,778</u>	<u>533,510,831</u>
TOTAL	<u>387,365,027</u>	<u>534,263,722</u>

7. TRADE ACCOUNTS RECEIVABLE

They refer to the amounts resulting from the providing of electricity services, whose bills become due respectively: up till the 20th day of the second month after the generation, up till the 30th day of the second month after the generation and up till the 10th day of the third month after the generation, issued in U.S. dollars, for receipt in Reais or in Guaranis, in accordance with the (closing) selling exchange rates of the day prior to receipt, published by the Central Banks of Brazil and Paraguay, respectively.

It also includes provisions for the adjustment of the dollar on the amounts receivable of the remuneration for assignment of power, of the royalties and of the reimbursements of administration and supervision costs (notes to the Statement of Operating Accounts), referring to the current financial year and part of the previous financial year, which are billed in 12 installments, maturing as from March of the year following the generation.

	US\$	
	2013	2012
Purchasing Entities		
Centrais Elétricas Brasileiras S.A. - ELETROBRAS	743,965,184	744,753,954
Administración Nacional de Electricidad - ANDE	72,477,542	62,304,293
Brazilian Ministry of Mines and Energy	190,877,796	159,980,107
TOTAL	<u>1,007,320,522</u>	<u>967,038,354</u>

8. STORES

	US\$	
	2013	2012
Material in deposit	6,464,186	6,278,650
Material separated for disposal	192,662	192,662
TOTAL	6,656,848	6,471,312

9. LIABILITIES RECEIVABLE

	US\$	
	2013	2012
Deposits in guarantee CT-80/92	176,415,453	192,748,343
Agreement ANDE 5808/99 - Substation MD	5,808,844	6,442,536
Agreement ANDE 5808/99 - T5/R5	13,986,098	14,690,117
Agreement ANDE 5808/99 - T4/R4	866,029	905,600
Agreement FOCEM - LT 500 kV	227,720	-
Compulsory tax recoverable	4,235,946	4,197,600
Other	2,588,141	2,918,998
TOTAL	204,128,231	221,903,194
(-) Long Term Installments	200,840,198	221,170,351
Short-term installments	3,288,033	732,843

They comprise, mainly, the amounts of collateral maturing in April 2024, which constitute a right of the entity in an amount equal to the principal of the "Pair-Bond" and "Discount-Bond" bonuses, members of the agreement for restructuring of the Brazilian foreign debt, negotiated by the National Treasury of Brazil through agreement CT-80/92 (Note 15).



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The purpose of Agreement 5808/99, entered into between ITAIPU and ANDE is to establish the conditions entrusted to ITAIPU for the expansion of sectors 3 and 4 of the right bank substation, comprising an executive project, associated equipment, civil works, electromechanical assembly, and operation and maintenance of the facilities.

On August 20, 2010 addendum 2 to this agreement was signed between ITAIPU and ANDE with the objective of establishing the rules for reimbursement to ITAIPU by ANDE of the payments made under the loan contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional (CAJUBI) (Note 15), for the installation of the 500/220 kV Autotransformer/regulator (T5/R5) of the right bank substation.

On Friday, February 17, 2012 addendum 6 was signed between ITAIPU and ANDE with the objective of establishing the rules for reimbursements to ITAIPU by ANDE of the payments made under the loan contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional (CAJUBI) (Note 15), for the repowering of the 500/220 kV Autotransformer/regulator (T5/R5) of the right bank substation.

The reimbursement of all payments made by ITAIPU to CAJUBI will be made based on the same conditions as the loan contract and, if necessary, through compensation with ANDE's rights as established in item III.5 of appendix "C" to the ITAIPU Treaty .

The balance receivable from the FOCEM-LT 500 kV agreement (Note 11) refers to the value-added tax (IVA) levied on importing expenses, which are considered ineligible by the MERCOSUR Convergence Fund (FOCEM), a financing agency of the project, which are reimbursed to ITAIPU by ANDE.

10. DEPOSITS IN COURT

They refer to the amounts deposited for appeals, deposits in guarantee and certificates of bank deposit (CDB) in Brazil, and legal embargoes in Paraguay, related to legal proceedings of a labor, tax, civil and commercial nature in which ITAIPU is a party.

	US\$	
	2013	2012
Brazil	60,793,086	67,216,267
Paraguay	4,266,779	3,709,782
TOTAL	65,059,865	70,926,049
(-) Long Term Installments	43,953,374	42,379,657
Short-term installments	21,106,491	28,546,392

The deposits in court in Brazil, except the certificates of bank deposit (CDB) which have already undergone correction according to the rules agreed upon at the time of their acquisition, are updated on the basis of the national consumer price Index (INPC), for litigation of a tax, civil and commercial nature, and based on the correction factor of the Government Severance Indemnity Fund for Employees (FGTS), for litigation of a labor nature.

11. OTHER ACCOUNTS RECEIVABLE

	US\$	
	2013	2012
Advances to suppliers	27,109,608	25,531,487
Escrow accounts	29,259,991	21,628,598
Other debtors	5,093,473	6,170,523
Advances to staff	1,989,893	1,068,689
TOTAL	63,452,965	54,399,297

In September 2010, based on the decision of the Board of the Common Market of South America, MERCOSUR/CMC/DEC No. 07/2010, August 2, 2010, an agreement was entered into for financing the Fund for Convergence of MERCOSUR-COF with respect to the project "Construction of the 500 kV transmission line ITAIPU - Villa Hayes, of the Villa Hayes Substation and the expansion of Sub-station on the ITAIPU right bank" where ITAIPU is the organization executing the project.

The total cost of the project is US\$ 555,000,000, where US\$ 400,000,000 are resources originating from the Fund for Structural Convergence of MERCOSUR-FOCEM and a balancing item of US\$ 155,000,000 of resources paid in by ITAIPU and by Administración Nacional de Electricidad - ANDE.

Until December 31, 2013 the agreements related to this project presented the following financial transactions:

<u>COF</u>	<u>US\$</u>
Resources received from FOCEM until 2012	170,100,105
Resources received from FOCEM - 2013	78,599,895
Total resources received	248,700,000
Recovery of Taxes until 2012	10,860,365
Recovery of Taxes - 2013	6,885,165
Total taxes recovered	17,745,530
Amounts paid on execution of the project until 2012	(180,945,846)
Amounts paid on execution of the project - 2013	(85,496,007)
Total payments	(266,441,853)
Available at December 31, 2013	3,677
<u>ANDE - T5/R5 Agreement (Note 9)</u>	<u>US\$</u>
Resources received from CAJUBI until 2012	15,000,000
Total resources received	15,000,000
Amounts paid on execution of the project until 2012	(13,472,931)
Amounts paid on execution of the project - 2013	(481,542)
Total payments	(13,954,473)
Available at December 31, 2013	1,045,527

12. RESULTS

It comprises the results of ITAIPU extracted from the statements of income for each financial year, accumulated until December 31, 2012 and the result presented in the year ended December 31, 2013.

	<u>US\$</u>	
	<u>2013</u>	<u>2012</u>
Results of prior years	(942,516,046)	(421,953,392)
Result of the current year	(1,188,902,812)	(520,562,654)
TOTAL	(2,131,418,858)	(942,516,046)

The results presented are not used as the basis of calculation for remuneration on shareholders' equity, profit sharing or formation of reserves, as established in note 2, items ii and iii.

Until 2023, when appendix "C" to the Treaty may be reviewed, the amount of the accumulated values in results should be equivalent to the entity's permanent assets, according to the projections of the tariff breakdown (unit cost of the electricity service), since, as defined in appendix "C", the amortization of loans and financing is an integral part of the cost of the electricity service, and the depreciation of property, plant and equipment and the amortization of intangible assets are not recorded in the accounting by the entity.

13. PROPERTY, PLANT AND EQUIPMENT

	US\$	
	2013	2012
Property, plant and equipment in service		
Generation assets and facilities	16,360,744,801	16,360,285,545
Other assets and facilities	709,827,486	728,727,914
Movable capital assets	118,895,251	115,114,455
Total property, plant & equipment in service	17,189,467,538	17,204,127,914
Fixed assets under construction		
Other investments in fixed assets	250,503,029	227,053,931
Advances movable capital assets	2,547,369	901,945
Technical reserve	46,364,097	45,569,051
Total fixed assets under construction	299,414,495	273,524,927
Total property, plant & equipment	17,488,882,033	17,477,652,841

The property, plant and equipment in service, equivalent to 98.29% and 98.44% of the total property, plant and equipment for the years 2012 and 2013, respectively, represents the direct costs of construction of the hydroelectric power station and of the distributable costs. These costs were originally classified as property, plant and equipment under



construction and it is being transferred to property, plant and equipment in service due to the physical and accounting survey of the equity units.

The inventories of surplus materials to be used directly in property, plant and equipment are recorded as a technical reserve.

The tariff composition projections (unit cost of the electricity service) show that the entity will have sufficient resources to fulfil its obligations until 2023, according to appendix "C" to the Treaty, and thus there was no need for the recording of a provision for impairment.

In 2013 various accounting write-offs were made, as described in detailed below:

- (i) Accounting write-off through donations for purposes of public and social interests, of various movable capital assets, in the amount of US\$ 2,260,246;
- (ii) Accounting write-off of various movable and immovable capital assets assessed as obsolete or deteriorated, in the amount of US\$ 1,757,112;
- (iii) Accounting write-off through the sale of various movable capital assets in the amount of US\$ 732,111;
- (iv) Accounting write-off through the sale of real estate properties which constitute housing estates 1, 2, 3, 4 and 8, located in Cidade do Leste, in Paraguay, in the amount of US\$ 19,187,052.

The net changes in property, plant and equipment in the year, in the amount of US\$ 11,229,192 (US\$ 28,095,909 in 2012), are broken down as follows:

	US\$	
	2013	2012
Investments in fixed assets in the year		
Other investments in fixed assets	24,349,351	32,531,427
Movable capital assets	10,021,316	8,246,468
	34,370,667	40,777,895
Increases (decreases) in cash flows		
Technical reserve	795,046	1,644,263
Write-off of property, plant and equipment	(23,936,521)	(14,326,249)
	(23,141,475)	(12,681,986)
Change in property, plant and equipment	11,229,192	28,095,909

ITAIPU does not record the depreciation of its fixed assets in the accounting, as described in note 4.b.

As established in the plan of action for the adjustment of the procedures for asset control to the existing accounting standards and the respective technological innovations of the electric sector, the new Manual of Accounting and Asset Control Procedures of ITAIPU was approved in 2013.

The process for engaging the consulting company that will conduct the general inventory of fixed assets and the physical and accounting reconciliation of these assets was also started in 2013, with the beginning of the engagement scheduled for 2014 and completion in 2017.

14. INTANGIBLE ASSETS

They comprise the expenses related to obtaining intangible assets intended for the Entity's operation, maintenance and administration.

	US\$	
	2013	2012
Rights of way	68,914	68,914
Software	22,219,964	20,739,533
TOTAL	22,288,878	20,808,447

ITAIPU does not record the amortization of its intangible assets in the accounting, as described in note 4.b.

15. LOANS AND FINANCING

Loans and financing in U.S. dollars and other currencies, as presented in the table below, are duly updated, adding interest and other financial charges, in accordance with the contractual terms.

			Amount of the Contract		Debt at December 31 - US\$ '000						
Currency (3)	Interest rates		Total (in '000)	Equivalent in US\$ '000 (1)	2013		2012	Period of Amortization			
					Short term	Long Term		Start	Finish	Payment	
I - ELETROBRAS											
ECF - 1480/97											
	Tranche B - Principal	US\$	7,5	10.250.481	10.250.481	556.886	3.644.930	4.701.108	2001	2023	Monthly
	Tranche C - Principal	US\$	4,1	1.780.955	1.780.955	93.647	481.062	662.252	2007	2023	Monthly
ECF - 1627/97											
	Principal	US\$	7,5	181.577	181.577	9.931	81.105	100.967	1998	2023	Monthly
ECF - 1628/97											
	Principal	US\$	7,5	211.116	211.116	20.850	170.276	211.976	2007	2023	Monthly
CT - 2607/06											
	Principal	US\$	7,5 ⁽⁴⁾	6.304	6.304	1.391	-	2.907	2009	2014	Monthly
CT - 2608/06											
	Principal	US\$	7,5 ⁽⁴⁾	8.004	8.004	846	-	2.876	2009	2014	Monthly
CT - 2686/08											
	Principal	US\$	7,5 ⁽⁴⁾	22.343	22.343	1.701	11.910	15.312	2012	2021	Monthly
						685.252	4.389.283	5.697.398			
II - BRAZILIAN NATIONAL TREASURY											
CT-74/93											
	Brasil Investment Bonds (BIBS)	US\$	6,0 ⁽⁶⁾	5.612	5.612	-	-	381	1999	2013	Half yearly
CT-80/92											
	Restructuring of Foreign Debt (DMLP)	US\$	(Note 2) ⁽⁶⁾	918.235	918.235	11.379	243.369	274.354	1997	2023	Half yerly
CT-424/TN											
	Assignment Eletrobras (ECF-1480/97)										
	Tranche B - Principal	US\$	7,5	-	-	109.117	1.989.912	2.203.992	2001	2023	Monthly
	Tranche C - Principal	US\$	4,1	-	-	35.056	483.411	552.895	2007	2023	Monthly
CT-425/TN											
	Assignment Eletrobras (ECF-1480/97)										
	Tranche B - Principal	US\$	7,5	-	-	241.536	4.401.474	4.875.448	2001	2023	Monthly
	Tranche C - Principal	US\$	4,1	-	-	77.566	1.069.605	1.223.349	2007	2023	Monthly
						474.654	8.187.771	9.130.419			
III - OTHER CONTRACTS											
FIBRA - Fundação Itaipu BR de Previdência e Assistência Social											
	CT - 7218/03	R\$	6,0 ⁽⁵⁾	73.911	31.626	3.022	32.536	41.703	2004	2023	Monthly
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional											
	PIB 2010-10-0001 - T5/R5	US\$	8,0	15.000	15.000	1.258	14.055	16.478	2012	2022	Monthly
	PIB 2011-10-0001 - Repowering T1/R1, T2/R2, T3/R3 E TX/RX	US\$	8,0	5.000	5.000	413	3.977	4.772	2012	2021	Monthly
	PIB 2011-10-0002 - Sectioning L3 and L4 500kV	US\$	8,0	42.000	42.000	3.131	35.461	12.740	2013	2022	Monthly
	PIB 2011-10-0003 - Environment MD	US\$	8,0	12.000	12.000	1.102	11.794	11.020	2013	2022	Monthly
	PIB 2012-10-0001 - Repowering T4/R4	US\$	8,0	1.132	1.132	87	1.005	1.173	2013	2022	Monthly
						5.991	66.292	46.183			
TOTAL LOANS AND FINANCING						1.168.919	12.675.882	14.915.703			

(1) Translated at the rate in force on the date of release and updated at the rate of the closing of the balance.

(2) Interest rate
6- month Libor + Spread, 6.0 and 8.0

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

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

(5) In addition to the interest rate, the contract establishes restatement of the debit balance by the INPC which may not be less than the minimum actuarial profitability

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

On December 29, 1998, Centrais Elétricas Brasileiras S.A. - Eletrobras and the Brazilian National Treasury (TN), signed , contracts 423/TN, 424/TN and 425/TN, for assignment of part of the loans that the company held with this entity.

From 2007 the variation between the annual averages of the indexes “Industrial Goods” and “Consumer Prices”, published by the magazine “International Financial Statistics”, used for the monetary restatement of contracts entered into with ELETROBRAS (including assignment of credits to the Brazilian National Treasury), ceased to be applied due to Law 11480, of May 30, 2007, regulated by Decree 6265 of November 22, 2007, and by 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, through assignment agreement 235/05, assigned and transferred to Empresa Gestora de Ativos - EMGEA, part of the credit rights held against ITAIPU, resulting from agreements 424/TN and 425/TN, in the amount equivalent to US\$ 2,480.0 million. In the current year payments were made in the amount equivalent to US\$ 329.0 million.

Part of the credit rights held against ITAIPU, resulting from agreements 424/TN and 425/TN, in amounts equivalent to US\$ 3,851.8 million, US\$ 687.8 million and US\$ 239.8 million, respectively, was also assigned by the Brazilian National Treasury, through assignment agreements 808, 865 and 873/PGFN/CAF of December 28, 2012, June 7, 2013 and July 11, 2013, to the National Bank for Economic Development (BNDES). In 2013, payments were made in the amount equivalent to US\$ 264.7 million.

Contract CT-7218/03 entered into with FIBRA results from Board of Directors Resolution, RCA 010/03 of 5 September 2003, which revoked the payment in kind of real estate for partial settlement of ITAIPU's debts with FIBRA, for the period from 1989 to 1992, which had been approved by Board of Directors Resolution, RCA 004/93 of January 11, 1993.

The schedule for repayments of long-term loans and financing, with ELETROBRAS, the Brazilian National Treasury and other institutions establishes the following annual amortization:

Year	US\$
2015	1,240,053,745
2016	1,322,629,569
2017	1,410,828,710
2018	1,505,195,800
2019	1,605,910,453
2020 to 2023	5,591,263,860
TOTAL	12,675,882,137

The following amounts with respect to commitments for interest and amortizations maturing in each year were settled by way of debt servicing:

Financiers	US\$	
	2013	2012
Eletrobrás		
Principal	622,863,802	577,009,728
Charges	372,242,909	413,852,683
	995,106,711	990,862,411
Brazilian National Treasury		
Assignment of Credits of Eletrobras		
Principal	444,766,907	417,135,330
Charges	574,920,952	597,801,792
	1,019,687,859	1,014,937,122
Brazilian National Treasury		
Restructuring of the foreign debt		
Principal	19,567,899	30,317,018
Charges	9,820,821	11,718,649
	29,388,720	42,035,667
Fibra		
Principal	3,027,847	2,958,325
Charges	4,322,513	4,935,470
	7,350,360	7.893.795
Cajubi		
Principal	2,313,274	539,432
Charges	2,347,664	597,220
	4,660,938	1,136,652
Total		
Principal	1,092,539,729	1,027,959,833
Charges	963,654,859	1,028,905,814
	2,056,194,588	2,056,865,647




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16. REMUNERATIONS AND REIMBURSEMENTS

They comprise the commitments due to the Brazilian and Paraguayan governments as well as to ELETROBRAS and ANDE, pursuant to the Itaipu Treaty.

US\$						
	2013			2012		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Royalties						
Principal	20,909,141	20,909,141	41,818,282	20,143,996	20,143,996	40,287,992
Adjustment of the	159,363,983	159,363,983	318,727,966	154,636,885	154,636,885	309,273,770
US dollar						
Subtotal	180,273,124	180,273,124	360,546,248	174,780,881	174,780,881	349,561,762
Remuneration for Assignment of Power						
Principal	-	38,558,908	38,558,908	-	27,898,373	27,898,373
Adjustment of the	-	238,548,550	238,548,550	-	216,970,923	216,970,923
US dollar						
Subtotal		277,107,458	277,107,458	-	244,869,296	244,869,296
Reimbursement of Admin. and Supervision Charges						
Principal	1,608,395	1,608,395	3,216,790	1,549,538	1,549,538	3,099,076
Adjustment of the	12,258,768	12,258,768	24,517,536	11,895,145	11,895,145	23,790,290
US dollar						
Subtotal	13,867,163	13,867,163	27,734,326	13,444,683	13,444,683	26,889,366
Capital Earnings						
Principal	6,000,000	6,000,000	12,000,000	6,000,000	6,000,000	12,000,000
Adjustment of the	18,052,842	18,052,842	36,105,684	17,821,704	17,821,704	35,643,408
US dollar						
Subtotal	24,052,842	24,052,842	48,105,684	23,821,704	23,821,704	47,643,408
Total	218,193,129	495,300,587	713,493,716	212,047,268	456,916,564	668,963,832

The amounts resulting from the adjustment of the dollar generated in the year on royalties, reimbursement of administration and supervision expenses and remuneration for assignment of power are paid in 12 installments from March of the year subsequent to the year closed. The amounts related to the adjustment of the dollar from capital earnings generated in the year, corresponding to ELETROBRAS and ANDE, are paid in one single payment on the last business day of the month following that in which the final calculation occurs. These amounts will be mandatorily offset against the debts that ELETROBRAS and ANDE have with ITAIPU and they can be paid in advance if there is available cash.

17. ACCOUNTS PAYABLE TO SUPPLIERS

	US\$	
	2013	2012
Accounts payable to suppliers	56,667,099	76,443,552
Taxes withheld	2,847,058	6,838,878
TOTAL	59,514,157	83,282,430

18. SALARIES AND PAYROLL CHARGES

	US\$	
	2013	2012
Accrued vacation pay and charges	37,871,298	38,771,933
Supplementary pension foundations	10,572,474	8,885,489
Payroll charges payable	5,396,227	7,154,149
Other	5,079,189	3,422,152
TOTAL	58,919,188	58,233,723



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19. LABOR SEVERANCE PAY

	US\$	
	2013	2012
Permanent plan for voluntary dismissal - Brazil	92,385,921	101,104,745
Labor severance pay - Paraguay	280,163,416	299,358,106
TOTAL	372,549,337	400,462,851
(-) Long Term Installments	345,044,078	376,466,918
Short-term installments	27,505,259	23,995,933

20. POST-EMPLOYMENT BENEFITS

The Entity maintains a retirement and pensions program for its employees, which is administered 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 (CAJUBI) in Paraguay.

Contributions to the plan, which has the features of a "defined benefit" plan, are made by both sponsor and beneficiaries, based on an actuarial valuation prepared by an independent actuary in accordance with current legislation in Brazil and Paraguay, with the purpose of providing sufficient funds to cover current obligations, with the benefits already granted, and future obligations, with future benefits.

The benefits established in the retirement and pension plan are as follows:

i) Employees contracted in Brazil:

- a) Supplementary pension for time of contribution, disability and age;
- b) Special supplementary pension;
- c) Seclusion allowance;
- d) Supplementary pension;
- e) Special temporary benefit for death;
- f) Funeral assistance for death of a beneficiary; and
- g) Supplementary annual bonus.



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ii) Employees contracted in Paraguay:

- a) Ordinary and disability retirement;
- b) Special retirement;
- c) Voluntary early retirement;
- d) Seclusion allowance;
- e) Pension;
- f) Funeral assistance; and
- g) Annual bonus.

In addition to the retirement and pension program, ITAIPU supports a medical care program for its employees and their dependents, extending it to the retirees and pensioners of FIBER and of CAJUBI, including their dependents.

Since 2003, ITAIPU has adopted the accounting practice of recording the liability arising from the actuarial liabilities with future employee benefits related to the health care program, and, from 2009, related to the retirement and pension program.

For this, it engages actuaries who prepare reports based on international accounting standards related to both the programs.

The liabilities recorded in the financial statements of IAIPU related to post-employment benefits are as follows:

	BRASIL		US\$ '000 PARAGUAY		TOTAL	
	2013	2012	2013	2012	2013	2012
Liabilities recorded in the balance sheet - long term						
Benefits of the retirement plan	-	-	847,069	868,554	847,069	868,554
Benefits of the health care plan	445,196	416,908	404,135	528,856	849,331	945,764
	445,196	416,908	1,251,204	1,397,410	1,696,400	1,814,318
Income (expenses) recognized in the income statement						
Benefits of the retirement plan	-	-	(46,021)	(93,005)	(46,021)	(93,005)
Benefits of the health care plan	(81,519)	(115,621)	83,618	(216,337)	2,099	(331,958)
	(81,519)	(115,621)	37,597	(309,342)	(43,922)	(424,963)

The following assumptions were used in the evaluation of post-employment benefits:

	BRAZIL		PARAGUAY	
	2013	2012	2013	2012
<u>GENERAL DATA</u>				
Active members	1,490	1,484	1,887	2,063
Retired members	1,308	1,260	1,100	1,008
Pensioners	208	190	288	270
<u>ECONOMIC ASSUMPTIONS</u>				
Actual discount rate (p.a.) - pension plan	6.50%	4.35%	4.00%	4.00%
Actual discount rate (p.a.) - health care plan	6.50%	4,00%	6,50%	4,00%
Expected rate of return from assets (p.a.)	10.76%	8.52%	14.40%	14.40%
Actual rate of evolution of salaries (p.a.)	2.25%	2.19%	1.92%	1.92%
Actual rate of growth of costs (p.a.)	2.00%	2.00%	2.00%	2.00%
Inflation	4.00%	4.00%	10.00%	10.00%
Benefit capacity factor	98%	98%	-	-
<u>ATUARIAL ASSUMPTIONS</u>				
General mortality table	AT-2000 (-20%)	AT-2000 (-10%)	AT-2000	AT-2000
Mortality table for disabled persons	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	AT-1983
Disability entry table	Light Weak	Light Weak	Light Average	Light average
Turnover table	0.13%	0.13%	0.50%	0.50%

a) Pension plan

**STATEMENT OF THE ACTUARIAL SURPLUS (DEFICIT) OF THE PENSION PLAN
OF THE DEFINED BENEFIT TYPE SPONSORED BY ITAIPU BINACIONAL
AMOUNTS IN US\$ '000**

DESCRIPTION	FIBRA		CAJUBI	
	2013	2012	2013	2012
Fair value of the plan's assets	1,016,449	1,293,711	279,550	256,546
Present amount of the liabilities	(1,012,080)	(1,335,192)	(1,126,619)	(1,125,100)
Actuarial (Deficit) Surplus	<u>4,369</u>	<u>(41,481)</u>	<u>(847,069)</u>	<u>(868,554)</u>

In 2009 a provision was recognized in the accounting in the total amount related to the actuarial deficit of the pension plan of Caja Paraguaya Jubilaciones y Pensiones del Personal de la Itaipu (CAJUBI) for that year.

As from fiscal year 2010, this provision has been updated based on the actuarial reports issued annually.

ITAIPU has been requesting explanations and the necessary steps from CAJUBI regarding its actuarial deficit and has been following the procedures that are being taken to resolve this situation.

On November 22, 2012, the Executive Board of Itaipu approved, through Resolution RDE 323/12, adjustments to CAJUBI's internal regulations, which introduced improvements in this Foundation to corporate governance, seeking improvements in its management through the creation of Executive Management, of the Audit Committee and of the Investment Committee, endorsed by the Board of Directors of ITAIPU, through Resolution RCA 047/12.

On December 4, 2012, the Paraguayan Director General appointed the new members of the Board of Directors of CAJUBI, as well as the representatives from ITAIPU on the Audit Committee and Investment Committee, determining also that the necessary steps will be taken for the election of the representatives of the active affiliated members and of the assisted members for these plenary bodies.

On February 22, 2013, the Board of Directors of ITAIPU approved, through Board of Directors Resolution RCA 008/13, an increase in the mandatory monthly contributions from the sponsor and active participant aiming at eliminating the potential for generating a future deficit in the funding of the Benefit Plan.

No provision was made in the Financial Statements of ITAIPU for the pension plan of Fundação ITAIPU BR de Previdência e Assistência Social (FIBRA) due to the positive actuarial results presented in 2013 and 2012, considering in 2012, the obligation already recognized by ITAIPU in its Financial Statements as a liability with the plan in the amount of US\$ 41,703 thousand, as described in Note 15.

The information with respect to the pension funds, extracted from their respective financial statements are presented in the tables below and are translated into US dollars at the exchange rates as of December 31, 2013 and 2012.

	US\$ '000			
	FIBRA		CAJUBI	
	2013	2012	2013	2012
Current value of the assets	1,050,499	1,170,521	279,550	256,546
Mathematical provisions				
Benefits granted	738,228	752,698	580,499	526,725
Benefits to be granted	398,177	411,626	521,324	645,974
(-) Mathematical provisions to be recorded	(20,434)	(22,678)	(29,202)	(34,971)
	1,115,971	1,141,646	1,072,621	1,137,728
(Deficit) Surplus	(65,472)	28,875	(793,071)	(881,182)



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b) Health care plan

**STATEMENT OF THE ACTUARIAL EVALUATION OF THE LIABILITIES RELATED
TO THE HEALTH CARE PLAN SPONSORED BY ITAIPU BINACIONAL
AMOUNTS IN US\$ '000**

DESCRIPTION	BRAZIL		PARAGUAY	
	2013	2012	2013	2012
Fair value of the plan's assets	-	-	-	-
Present value of the liabilities				
Rights already accrued	294,348	271,769	277,904	328,617
Rights falling due	150,848	145,139	126,231	200,239
	<u>445,196</u>	<u>416,908</u>	<u>404,135</u>	<u>528,856</u>
Unrecognized gains (losses)	-	-	-	-
Actuarial liability recorded	<u>445,196</u>	<u>416,908</u>	<u>404,135</u>	<u>528,856</u>

The actuarial liabilities related to the health care plan are fully recognized in the liabilities of the sponsor, ITAIPU, and these amounts are updated annually based on the actuarial reports.

21. PROVISIONS FOR LEGAL PROCEEDINGS

The Entity is party to various processes within the judiciary, in the spheres of taxation civil, commercial and labor law that are in various stages of being heard.

ITAIPU adopts the procedure of classifying the causes brought against the Entity according to the risk of loss, based on the opinion of its legal departments, as follows:

- i) For the legal proceedings that are in progress in Brazil:
 - a) For the court cases whose negative outcome for the Entity is considered as a "probable" risk, provisions are recorded; and
 - b) For the court cases whose negative outcome is considered as a "possible" risk this information is disclosed in the notes to the financial statements.

- ii) For the legal proceedings that are in progress in Paraguay:

- a) For the court cases whose negative outcome for the Entity is considered as a “probable” and “possible” risk, provisions are recorded.

For both countries, the court cases with a negative outcome for the Entity considered as a “remote” risk are not subject to the recording of a provision or disclosure.

From 2012, in accordance with the respective accounting standards, and aiming at standardization of the procedures adopted in both countries, a process was begun for analyzing the accounting treatment of the lawsuits that are filed in Paraguay and it is estimated that for year 2014 this work will be completed.

The accounting provisions related to the legal proceedings are recorded at amounts that are periodically updated, presented in the table below, to present the best estimate of future disbursements based on reports issued by the Entity’s legal departments .

US\$						
	2013			2012		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Short-term						
Tax	25,390,158	-	25,390,158	77,161,564	-	77,161,564
Civil	8,697,987	-	8,697,987	26,337,148	-	26,337,148
Commercial	52,096,688	-	52,096,688	61,933,682	28,662	61,962,344
Labor	42,973,317	5,616,596	48,589,913	58,911,717	4,878,501	63,790,218
Environmental	-	-	-	4,893,565	-	4,893,565
	129,158,150	5,616,596	134,774,746	229,237,676	4,907,163	234,144,839
Long-term						
Tax	25,338,560	-	25,338,560	21,093,364	-	21,093,364
Civil	94,319	-	94,319	183,421	-	183,421
Commercial	54,630,219	10,100,199	64,730,418	62,610,528	465,874	63,076,402
Labor	13,772,682	22,475,028	36,247,710	22,734,358	20,627,089	43,361,447
	93,835,780	32,575,227	126,411,007	106,621,671	21,092,963	127,714,634
Total	222,993,930	38,191,823	261,185,753	335,859,347	26,000,126	361,859,473

The legal proceedings that are in progress in Brazil classified as a risk of “possible” loss, for which no provision was recorded in the accounting, are presented in the following table:

	US\$	
	2013	2012
Tax	330,017	886,254
Civil	-	48,936
Commercial	233,067,651	219,307,840
	<u>233,397,668</u>	<u>220,243,030</u>

22. OTHER LIABILITIES

	US\$	
	2013	2012
Contractual withholdings	1,977,494	2,713,523
Other creditors	3,515,006	3,155,355
Agreements	1,321,729	1,925,595
Other	57,943	329,246
TOTAL	<u>6,872,172</u>	<u>8.123.719</u>
(-) Long Term Installments	<u>3,515,006</u>	<u>3,155,355</u>
Short-term installments	<u>3,357,166</u>	<u>4,968,364</u>

23. CAPITAL

In accordance with the provisions contained in the Treaty and in Appendix "A" - Statute, ITAIPU's capital, equivalent to US\$ 100 million mandatorily constant since August 13, 1973, the date of the exchange of instruments of ratification of the Treaty, belongs in equal, nontransferable parts to Centrais Elétricas Brasileiras S.A. - ELETROBRAS and Administración Nacional de Electricidad - ANDE.

24. OPERATING INCOME

Since 2003 the acquisition of the electricity services of ITAIPU by Brazil is held by Centrais Elétricas Brasileiras - ELETROBRAS, pursuant to Decree 4550 of December 27, 2002, which established this company as ITAIPU's sole trader of electric power. For Paraguay, the purchase of electricity services from Itaipu is performed by Administración Nacional de Electricidad - ANDE.

The revenue resulting from the contracts for providing electricity services in financial year 2013 totaled US\$ 3,291,012,000 (the same as in 2012) which corresponds to sales of 145,620 MW of power contracted in the year (the same as in 2012).

The rate adopted in 2013 was US\$ 22.60/kW per month, the same as in 2012.

The power supplied to the purchasing entities in 2013 was 97,878 GWh (97,534 GWh in 2012).

	US\$ Mil					
	2013			2012		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Supply of power	3.047.367	243.645	3.291.012	3.067.990	223.022	3.291.012
Remuneration assignment of power	377.020	-	377.020	378.718	-	378.718
Reimbursement of costs - power that is not bound	109.252	23.077	132.329	106.268	21.869	128.137
Total	3.533.639	266.722	3.800.361	3.552.976	244.891	3.797.867
Contracted Power - MW	11.335	800	12.135	11.335	800	12.135
Guaranteed power - GWh	69.690	5.445	75.135	70.375	4.965	75.340
Power supplied - GWh	88.467	9.411	97.878	88.783	8.751	97.534



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25. OPERATING EXPENSES - Remuneration and Reimbursement

They comprise the remuneration and reimbursements established in Appendix "C" to the Treaty, due in 2013 and 2012, to the contracting states, royalties and remuneration for assignment of power, as well as to ELETROBRAS and ANDE, capital earnings and reimbursement of administration and supervision expenses.

	US\$					
	2013			2012		
	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 the US dollar	(18,069,524)	(18,069,524)	(36,139,048)	(17,894,844)	(17,894,844)	(35,789,688)
Subtotal	(24,069,524)	(24,069,524)	(48,139,048)	(23,894,844)	(23,894,844)	(47,789,688)
Royalties						
Principal	(127,241,666)	(127,241,666)	(254,483,332)	(126,793,721)	(126,793,721)	(253,587,442)
Adjustment of the US dollar	(137,163,481)	(137,163,481)	(274,326,962)	(134,820,942)	(134,820,942)	(269,641,884)
Subtotal	(264,405,147)	(264,405,147)	(528,810,294)	(261,614,663)	(261,614,663)	(523,229,326)
Reimbursement of Admin. and Supervision Expenses						
Principal	(9,787,820)	(9,787,820)	(19,575,640)	(9,753,363)	(9,753,363)	(19,506,726)
Adjustment of the US dollar	(10,551,037)	(10,551,037)	(21,102,074)	(10,370,842)	(10,370,842)	(20,741,684)
Subtotal	(20,338,857)	(20,338,857)	(40,677,714)	(20,124,205)	(20,124,205)	(40,248,410)
Remuneration for assignment of power						
Principal	-	(181,434,454)	(181,434,454)	-	(183,675,018)	(183,675,018)
Adjustment of the US dollar	-	(195,585,903)	(195,585,903)	-	(195,042,984)	(195,042,984)
Subtotal	-	(377,020,357)	(377,020,357)	-	(378,718,002)	(378,718,002)
Total	(308,813,528)	(685,833,885)	(994,647,413)	(305,633,712)	(684,351,714)	(989,985,426)

The remuneration and reimbursements, including the adjustment of the dollar, are calculated according to the provisions in Appendix "C" to the Treaty and in the respective Reversal Notes, as described in the Notes to the Statements of Operating Accounts - Appendix I.

26. OPERATING EXPENSES - General and Administrative Expenses

General and administrative expenses consist of all expenses attributable to the operation of the enterprise, and represent all the costs of operation, maintenance and administration, as well as all costs of a socio-environmental nature.

	US\$	
	2013	2012
Personnel, materials & services	(661,955,046)	(673,828,456)
Operating provisions	14,838,100	(410,913,484)
Socio-environmental expenses	(88,553,055)	(89,951,135)
Training	(2,231,787)	(2,155,623)
Other expenses	(68,941,856)	(65,299,267)
	<u>(806,843,644)</u>	<u>(1,242,147,965)</u>

27. OTHER INCOME (EXPENSES)

Income or expenses arising from the sale of scrap and unserviceable equipment, fees for occupation of real estate properties, contractual fines, disposal of assets and equipment, bank charges, rebates and other similar income and expenses, are shown below:

	US\$	
	2013	2012
Other income		
Disposals	6,693,395	2,284,528
Fees for occupation of real estate properties	1,394,643	1,566,646
Interest and contractual fines	1,391,276	629,688
Other	149,136	159,372
	<u>9,628,450</u>	<u>4,640,234</u>
Other expenses		
Disposal of assets and facilities	(23,936,521)	(14,326,249)
Financial expenses	(678,575)	(785,641)
Other	(11,988)	(13,284)
	<u>(24,627,084)</u>	<u>(15,125,174)</u>
	<u>(14,998,634)</u>	<u>(10,484,940)</u>

28. FINANCIAL EXPENSES - monetary variations

	US\$	
	2013	2012
Loans and financing		
FIBRA	3,116,416	1,219,208
Other foreign exchange variations		
Current assets	(60,615,064)	(41,773,799)
Non-current assets	(8,738,159)	(389,435)
Current liabilities	30,034,197	9,064,381
Non-current liabilities	177,003,064	(24,277,220)
Other accounts	(2,579)	1,643
	<u>137,681,459</u>	<u>(57,374,430)</u>
	<u>140,797,875</u>	<u>(56,155,222)</u>

29. INSURANCE

The main fixed assets in service are insured in accordance with the insurance policy, approved by the Entity's Board of Directors 1992, which aims to ensure the following coverage:

- Insurance for all the assets installed in the hydroelectric power station, with coverage for "all risks" in an insured amount of US\$ 2,317,222,017.
- Operating civil liability insurance for the hydroelectric power station, with an amount insured of US\$ 20,000,000.

In addition to the above coverage, ITAIPU maintains insurance needed to cover other risks not directly related to the operation of the hydroelectric power station, which is taken out according to the location of the risk and according to the market conditions of the country in which are they are located, such as fire insurance for its administrative facilities, civil liability and damage to vehicles, damage to aircraft, civil liability for crew and passengers, vessels, injury to tourists visiting ITAIPU, civil liability for directors and group life insurance for its employees, as shown in the following table:

Type	Coverage - in US\$
Fire	169,571,300
Vehicles	Civil liability and physical damage - 45,687,900
Vessels	Compulsory insurance for personal injury caused by vessels or their cargoes - DPEM.
Personal Accidents - Tourists	Death, disability, medical and hospital expenses.
Directors' and Officers' Civil liability - D&O	10,000,000
Aircraft	1,314,000
Group life	For the employee: 30 basic salaries, limited to 15 salaries of the highest level of the ITAIPU salary table. For the spouse: 50% of the coverage, limited to 5 salaries of the highest level of the salary table.

30. FINANCIAL INSTRUMENTS

The estimated market values of the Entity's financial assets and liabilities were calculated through information available on the market and appropriate valuation methodologies. However, considerable judgment was required to interpret the market data in order to produce the most appropriate estimated market value. Accordingly, the estimates presented below do not necessarily represent the amounts that may be realized on the current exchange market. The use of different market methodologies may have a material effect on the estimated market values.

The management of these financial instruments is carried out through operating strategies aiming at liquidity, profitability and security. The control policy consists of permanently monitoring the contracted rates versus prevailing market rates. The Entity does not invest in derivative instruments or any other risky assets on a speculative basis.

a) Breakdown of balances

The book balances and the market values of the financial instruments included in the balance sheet at December 31, 2013 are presented as follows:

Description	US\$	
	Valor Book	Value of Market
Assets		
Cash and cash equivalents	140,249	140,249
Financial investments	387,224,778	387,224,778
Trade accounts receivable	1,007,320,522	1,007,320,522
Liabilities		
Loans and financing	(13,844,801,009)	(13,844,801,009)
Remuneration and reimbursements	(713,493,716)	(713,493,716)

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

(i) Cash, cash equivalents and financial investments

The balances in current accounts and financial investments held in banks have market values close to the book balances.

(ii) Accounts receivable

The balance of accounts receivable has market values close to the book balances due to their short term nature.

(iii) Derivatives

The Entity has a policy of non-exposure to market risks, avoiding taking positions exposed to fluctuations in short-term exchange rates and operating only with instruments which permit control of these risks. In accordance with its financial policies, the Entity has not entered into transactions involving financial instruments for speculative purposes. At December 31, 2013, the Entity did not have any outstanding forward and/or swap contracts.

31. RELATED PARTY TRANSACTIONS

The most significant transactions with related parties performed by the Entity in the years 2013 and 2012, comprise the sale of power, borrowings taken out, obligations established in Appendix "C" to the Treaty of ITAIPU and liabilities linked to the pension funds , as presented below:

		US\$ '000				
		2013				
		ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
BALANCE SHEET						
ASSETS						
Trade accounts receivable	743,965	72,478	-	-	816,443	
Agreements	-	22,022	-	-	22,022	
Total	743,965	94,500	-	-	838,465	
LIABILITIES						
Loans and financing	(5,074,535)	-	(35,558)	(72,283)	(5,182,376)	
Remuneration & reimbursements	(37,920)	(37,920)	-	-	(75,840)	
Social security contributions	-	-	(2,676)	(7,896)	(10,572)	
Actuarial liabilities	-	-	-	(847,069)	(847,069)	
Total	(5,112,455)	(37,920)	(38,234)	(927,248)	(6,115,857)	
INCOME STATEMENT						
INCOME						
Service fee income	3,282,292	266,722	-	-	3,549,014	
Financial income	-	446	-	-	446	
Total	3,282,292	267,168	-	-	3,549,460	
EXPENSES						
Financial expenses	(372,243)	-	(4,323)	-	(376,566)	
Remuneration and reimbursements	(44,408)	(44,408)	-	-	(88,816)	
Social security contributions	-	-	(20,668)	(39,929)	(60,597)	
Actuarial expenses	-	-	-	(46,021)	(46,021)	
Total	(416,651)	(44,408)	(24,991)	(85,950)	(572,000)	

US\$ '000

2012

BALANCE SHEET

ASSETS

	ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
Trade accounts receivable	744,754	62,304	-	-	807,058
Agreements	-	23,285	-	-	23,285
Total	744,754	85,589	-	-	830,343

LIABILITIES

Loans and financing	(5,697,398)	-	(41,703)	(46,183)	(5,785,284)
Remuneration & reimbursements	(37,267)	(37,267)	-	-	(74,534)
Social security contributions	-	-	(2,827)	(6,058)	(8,885)
Actuarial liabilities	-	-	-	(868,554)	(868,554)
Total	(5,734,665)	(37,267)	(44,530)	(920,795)	(6,737,257)

INCOME STATEMENT

INCOME

Service fee income	3,300,586	244,891	-	-	3,545,477
Financial income	-	492	-	-	492
Total	3,300,586	245,383	-	-	3,545,969

EXPENSES

Financial expenses	(412,658)	-	(4,935)	-	(417,593)
Remuneration & reimbursements	(44,019)	(44,019)	-	-	(88,038)
Social security contributions	-	-	(20,951)	(27,960)	(48,911)
Actuarial expenses	-	-	-	(93,005)	(93,005)
Total	(456,677)	(44,019)	(25,886)	(120,965)	(647,547)




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Besides the transactions mentioned above, ITAIPU has as related parties Fundação de Saúde Itaipu, Fundação de Saúde Tesai, Fundação Parque Tecnológico ITAIPU Brasil and Fundação Parque Tecnológico ITAIPU Paraguai due to its significant influence in the management of these entities and also due the carrying out of financial transactions such as the onlending for defraying administrative costs and investments with these foundations.

Fundação de Saúde Itaipu and Fundação de Saúde Tesai

Hospital Ministro Costa Cavalcanti (HMCC), in Brasil, and Hospital ITAIPU Margem Direita, in Paraguay, were built by Itaipu Binational originally to attend only the workers contracted for the construction and operation of the hydroelectric power station.

To optimize the use of these hospitals, and in conformity with its policy for regional integration, ITAIPU decided to extend hospital services to the local communities. In order to do this, in November 1994, by of Board of Directors Resolution RCA 019/94, it established Fundação de Saúde Itaipu, a nonprofit entity, which was assigned to administer and operate Hospital Ministro Costa Cavalcanti (HMCC) in Brazil. Subsequently, in March 1997, through Board of Directors Resolution RCA 004/97, it established Fundação de Saúde Tesai, a nonprofit entity, which was assigned to administer and operate Hospital ITAIPU Margem Direita, in Paraguay.

ITAIPU Technology Park Foundations - FPTI BR and FPTI PY

In 2005 in Brazil, through Board of Directors Resolution RCA 010/05, and in Paraguay in 2008, through Board of Directors Resolution RCA 035/08, ITAIPU Technology Park Foundations were created in both countries, whose mission is to understand and transform the reality of the tri-national region of Iguaçu, articulating and promoting actions aimed at economic, scientific and technological development with respect to human beings and with a focus on solutions concerning water, power and tourism.

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



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Remuneration of key management personnel

The remuneration, charges and benefits related to key management personnel are as follows:

	US\$ '000	
	2013	2012
Remuneration of directors and officers	(7,565)	(7,244)
Payroll charges	(697)	(707)
Benefits	(1,016)	(947)
	<u>(9,278)</u>	<u>(8,898)</u>




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SUPPLEMENTARY INFORMATION
STATEMENT OF ADDED VALUE
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In dollars of the United States of America)

	2013	2012
GENERATION OF ADDED VALUE		
Revenues		
Supply of electric power	3.291.012.000	3.291.012.000
Remuneration for assignment of power	377.020.357	378.718.002
Reimbursement of costs - power that is available	132.328.557	128.136.896
Other income (expenses)	(14.998.634)	(10.484.940)
	<u>3.785.362.280</u>	<u>3.787.381.958</u>
(-) Inputs acquired from third parties		
Materials	16.429.962	16.152.007
Third-party services	106.702.421	104.645.775
Other operating expenses	80.913.537	122.372.673
	<u>204.045.920</u>	<u>243.170.455</u>
GROSS ADDED VALUE	<u>3.581.316.360</u>	<u>3.544.211.503</u>
(+) Transferred added value		
Financial income	25.240.357	51.544.219
ADDED VALUE TO BE DISTRIBUTED	<u>3.606.556.717</u>	<u>3.595.755.722</u>
DISTRIBUTION OF ADDED VALUE		
Remuneration:		
From work		
Direct remuneration	319.684.107	298.282.562
Benefits	166.979.004	152.676.209
Post employment benefits	43.921.855	424.962.959
Labor severance pay	22.365.649	74.640.560
FGTS (Government severance indemnity fund)	7.084.133	7.260.064
	<u>560.034.748</u>	<u>957.822.354</u>
From the Government		
Social security tax and Goods and service Tax	42.762.976	41.155.156
Royalties	528.810.294	523.229.326
Remuneration for assignment of power	377.020.357	378.718.002
	<u>948.593.627</u>	<u>943.102.484</u>
From third-party capital		
Debt charges	960.998.877	1.030.007.341
Monetary variations	(140.797.875)	56.155.222
Other financial expenses	7.766	67.569
	<u>820.208.768</u>	<u>1.086.230.132</u>
From own capital		
Capital Earnings	48.139.048	47.789.688
Reimbursement of Admin. and Supervision costs	40.677.714	40.248.410
	<u>88.816.762</u>	<u>88.038.098</u>
Income (loss) for the year	<u>1.188.902.812</u>	<u>520.562.654</u>
ADDED VALUE DISTRIBUTED	<u>3.606.556.717</u>	<u>3.595.755.722</u>

SUPPLEMENTARY INFORMATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In dollars of the United States of America)

	2013	2012
FROM OPERATING ACTIVITIES		
Income for the year	1.188.902.812	520.562.654
Adjustments to the income		
Write-off of property, plant and equipment	23.936.521	14.326.249
Monetary losses - loans	(3.116.416)	(1.219.208)
Monetary losses/gains - estimated liabilities	(177.003.049)	24.276.329
Liability provisions		
Capitalizable financial charges	2.322.697	1.250.261
Non capitalizable financial charges	958.676.180	1.028.757.080
Estimated liabilities	(9.053.366)	498.063.081
Adjusted income	<u>1.984.665.379</u>	<u>2.086.016.446</u>
 Changes in assets and liabilities		
Change in trade accounts receivable	(40.282.168)	(94.414.499)
Change in supplies	(185.536)	430.904
Change in other receivable	15.948.262	13.125.326
Change in remuneration and reimbursements	44.529.884	104.726.798
Change in accounts payable to suppliers and other obligations	(25.019.820)	2.138.195
Change in wages and payroll charges	685.465	6.457.372
Payment of estimated liabilities	(60.448.989)	(71.450.184)
	<u>(64.772.902)</u>	<u>(38.986.088)</u>
Net operating cash flow	<u>1.919.892.477</u>	<u>2.047.030.358</u>
 FROM INVESTMENT ACTIVITIES		
Acquisition of fixed and intangible assets	(36.646.144)	(42.898.590)
Cash and cash equivalents used in investment activities	<u>(36.646.144)</u>	<u>(42.898.590)</u>
 FROM FINANCING ACTIVITIES		
Loans and financing obtained	26.049.560	18.589.225
Amortization of loans and financing	(1.092.539.729)	(1.027.959.833)
Payment of interest on loans and financing.	(963.654.859)	(1.028.905.814)
Cash and cash equivalents used in financing activities	<u>(2.030.145.028)</u>	<u>(2.038.276.422)</u>
 TOTAL EFFECT ON CASH AND CASH EQUIVALENTS	<u>(146.898.695)</u>	<u>(34.144.654)</u>
 Opening balance of cash and cash equivalents	534.263.722	568.408.376
Closing balance of cash and cash equivalents	387.365.027	534.263.722
Change in cash and cash equivalents	<u>- 146.898.695</u>	<u>- 34.144.654</u>



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SUPPLEMENTARY INFORMATION
STATEMENT OF OPERATING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In dollars of the United States of America)

	2013	2012
INCOME		
Income arising from contracts for the providing of electricity services:		
Brazilian purchasing entity	3.047.366.960	3.067.990.386
Paraguayan purchasing entity	243.645.040	223.021.614
Remuneration for assignment of power	377.020.357	378.718.002
Reimbursement of costs - power that is available	132.328.557	128.136.896
Total income	3.800.360.914	3.797.866.898
LESS		
REMUNERATION FOR ASSIGNMENT OF POWER	- 377.020.357	- 378.718.002
COST OF THE ELECTRICITY SERVICE		
Remuneration and reimbursement of the Contracting States and the Parties which constitute ITAIPU:		
Capital Earnings	- 48.139.048	- 47.789.688
Pledged power		
Royalties	- 405.933.777	- 404.245.066
Reimbursement of admin. and supervision costs	- 31.225.674	- 31.095.774
	(437.159.451)	(435.340.840)
Power that is available		
Royalties	- 122.876.517	- 118.984.260
Reimbursement of admin. and supervision costs	- 9.452.040	- 9.152.636
	- 132.328.557	- 128.136.896
	- 617.627.056	- 611.267.424
Amortization of loans and financing	- 1.091.293.597	- 1.027.774.214
Financial charges on loans and financing:	- 962.335.506	- 1.028.691.981
Operating expenses		
Personnel	- 548.877.366	- 560.334.705
Materials and equipment	- 32.998.059	- 29.048.989
Third-party services	- 110.937.830	- 111.090.812
Other operating costs	- 71.624.213	- 164.592.912
	- 764.437.468	- 865.067.418
Total cost of the electricity service	- 3.435.693.627	- 3.532.801.037
INCOME OF THE OPERATING ACCOUNT IN THE YEAR	- 12.353.070	- 113.652.141
Balance from previous year	- 157.854.481	- 48.705.054
Financial and other income	-	4.502.714
ACCUMULATED INCOME OF OPERATING ACCOUNT	- 170.207.551	- 157.854.481

NOTES TO THE STATEMENTS OF OPERATING ACCOUNTS

DECEMBER 31, 2013 AND 2012

Annex "C" to the ITAIPU Treaty, Financial Bases and Providing of Electricity Services, establishes that the Operating Account is represented by the annual balance between Income and the Cost of the Electricity service, calculated in accordance with the criteria described below:

a) Income

It arises from providing the electricity services, through a Commitment letter signed with Centrais Elétricas Brasileiras S.A. -ELETROBRAS, in Brazil, and an Agreement letter signed with Administración Nacional de Electricidad - ANDE, in Paraguay, in conformity with item IV of Appendix "C" to the ITAIPU Treaty which should be equal to the cost of the electricity service in each year.

It is incumbent upon the Board of Directors of ITAIPU to fix the unit cost of the electricity service in accordance with the conditions laid down in the documents signed.

b) Cost of the Electricity Service

In accordance with item III of Appendix "C" to the ITAIPU Treaty and with Reverse Notes 3 and 4 of January 28, 1986 and 10 of November 13, 2000, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, the Cost of the Electricity service is composed of the following items:

- Remuneration and reimbursements to the Contracting States and Parties that form ITAIPU, namely:

Capital Earnings - Calculated at the equivalent of 12 per cent per annum on the holding of Centrais Elétricas Brasileiras S.A. -ELETROBRAS and of Administración Nacional de Electricidad - ANDE in the paid-up capital. As from January 2001 it began to be updated in accordance with Reverse Note 10, of November 13, 2000.

Royalties - Calculated at the equivalent of US\$ 650 per gigawatt-hour generated and measured in the hydroelectric power station, and it should not be less than 18 million dollars per year, at the ratio of half for each Contracting State.

Reimbursement of administration and supervision costs - Calculated at the equivalent of US\$ 50 per gigawatt-hour generated and measured in the hydroelectric power station, due in equal parts to Centrais Elétricas Brasileiras S.A. -ELETROBRAS and Administración Nacional de Electricidad - ANDE.

Remuneration for Assignment of Power - Calculated at the equivalent of US\$ 300 per gigawatt-hour, assigned to the other Contracting State.

Reverse Notes 3 and 4, both of January 28, 1986, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, establish that the amount of compensation will be included exclusively in the rate to be paid by the party that consumes the assigned power.

The amounts of the Royalties, of the reimbursement of costs of administration and supervision and of the remuneration for assignment of power, calculated in accordance with what was described previously, were multiplied by 4.00 (four), as from financial year 1992, and from financial year 2006, as agreed by exchange of Reverse Notes between the Brazilian and Paraguayan governments on December 8, 2005, it was established for item III. 8 of Appendix "C" to the Treaty that the remuneration for Assignment of Power will be multiplied by 5.10 (five point one zero).

From May 14, 2011, as agreed by Reverse Notes signed 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 law 3923, of November 18, 2009, the multiplier factor of the remuneration of the power from ITAIPU assigned to Brazil, paid to the Government of the Republic of Paraguay, increased from 5.10 (five point one zero) to 15.30 (fifteen point three zero).

These costs will be kept constant in conformity with the formula established in reverse note 3, in accordance with the following adjustment factors:



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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	2.07663	8.30652
2013	15.30	2.07663	31.77244

(*) Basis: average annual inflation index verified in the United States of America, using the "Industrial Goods" and "Consumer Prices" indexes published in the journal "International Financial Statistics".

- Amortization of Loans and Financing: It refers to the contractual obligations amortized in the year, with companies and financial institutions in Brazil and in other countries.

From 2012 onwards, the amortizations of loans from CAJUBI related to contracts PIB 2010-10-0001 and PIB 2012-10-0001 are not included in the Operating Account since these amounts are being reimbursed to ITAIPU by ANDE, as established in addendum 2 of Agreement 5808/99.

- Financial charges on loans and financing: They represent the amounts of the charges paid to companies and financial institutions in Brazil and abroad, incurred up to the balance sheet date.

The interest capitalized in the year and which is incorporated in the principal of the debt, whose inclusion in the cost of the service only occurs upon its actual payment, is not included.

- Operating Expenses: They are recorded for all the expenses attributable to the providing of electricity services, including direct expenses for operation and maintenance, including replacements caused by normal wear and tear of equipment, insurance, administration and general expenses.
- Accumulated results of the Operating account: It comprises the positive or negative results of the Operating Account for the year, plus or less the balance from the previous year.



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