

# Itaipu Binacional

**Financial statements**  
**December 31, 2020**

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**BALANCE SHEET AT DECEMBER 31, 2020 AND 2019**

**(In thousands of US Dollars)**

**A S S E T S**

	<b><u>Note</u></b>	<b><u>12/31/2020</u></b>	<b><u>12/31/2019</u></b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	183,959	237,165
Trade accounts receivable	6	924,800	1,004,134
Storeroom	7	4,749	5,006
Bonds receivable	8	3,224	3,229
Other accounts receivable	9	11,155	19,928
<b>TOTAL CURRENT ASSETS</b>		<b><u>1,127,887</u></b>	<b><u>1,269,462</u></b>
<b>NON-CURRENT ASSETS</b>			
Bonds receivable	8	237,614	229,331
Judicial deposits	10	37,114	53,451
		<u>274,728</u>	<u>282,782</u>
<b>RESULTS</b>			
	11		
From prior years		(10,334,629)	(8,811,496)
Current financial year		(1,834,053)	(1,523,133)
		<u>(12,168,682)</u>	<u>(10,334,629)</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	12	<u>17,598,307</u>	<u>17,580,776</u>
<b>INTANGIBLE ASSETS</b>	13	<u>34,943</u>	<u>34,876</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>5,739,296</u></b>	<b><u>7,563,805</u></b>
<b>TOTAL ASSETS</b>		<b><u>6,867,183</u></b>	<b><u>8,833,267</u></b>

See the accompanying notes to the financial statements.

**BALANCE SHEET AT DECEMBER 31, 2020 AND 2019**

**(In thousands of US Dollars)**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<u>Note</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
<b>LIABILITEIS</b>			
<b>CURRENT LIABILITIES</b>			
Loans and financing	14	1,860,219	1,745,371
Remuneration and reimbursements	15	525,188	554,126
Suppliers	16	74,992	43,773
Salaries and social charges	17	73,514	96,927
Labor Indemnities	18	40,125	43,177
Provision for lawsuits	20	30,022	51,789
Other liabilities	21	2,025	2,373
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>2,606,085</u></b>	<b><u>2,537,536</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and financing	14	1,996,571	3,891,819
Labor Indemnities	18	191,015	236,133
Post-employment benefits	19	1,854,803	1,908,561
Provision for lawsuits	20	116,624	157,092
Other liabilities	21	2,085	2,126
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>4,161,098</u></b>	<b><u>6,195,731</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>6,767,183</u></b>	<b><u>8,733,267</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital	22		
Centrais Elétricas Brasileiras S.A.		50,000	50,000
Administración Nacional de Electricidad		50,000	50,000
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>100,000</u></b>	<b><u>100,000</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>6,867,183</u></b>	<b><u>8,833,267</u></b>

See the accompanying notes to the financial statements.

**STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In thousands of US Dollars)

	Note	12/31/2020	12/31/2019
<b>OPERATING REVENUES</b>	23		
Contracted power		3,291,012	3,291,012
Remuneration for electricity assignment		217,973	241,513
Royalties and reimbursement for energy additional to the one tied to the contracted power		49,960	51,670
<b>Total operating revenues</b>		<b>3,558,945</b>	<b>3,584,195</b>
<b>OPERATING EXPENSES</b>			
<b>REMUNERATION AND REIMBURSEMENTS</b>	24		
Yields from capital		(50,010)	(50,510)
Remuneration for electricity assignment		(217,973)	(241,513)
Electricity related to contracted power			
Royalties		(377,834)	(398,236)
Reimbursement of management and supervision charges		(29,064)	(30,634)
		(406,898)	(428,870)
Additional electricity related to contracted power			
Royalties		(46,392)	(47,980)
Reimbursement of management and supervision charges		(3,568)	(3,690)
		(49,960)	(51,670)
		(724,841)	(772,563)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	25		
Operation, maintenance, and management		(613,731)	(837,555)
Social and environmental responsibility programs		(288,639)	(170,943)
		(902,370)	(1,008,498)
<b>Total operating expenses</b>		<b>(1,627,211)</b>	<b>(1,781,061)</b>
<b>SERVICE INCOME</b>		<b>1,931,734</b>	<b>1,803,134</b>
<b>OTHER INCOME (EXPENSES)</b>	26	(22,147)	(8,232)
Financial income		236,870	40,425
Financial expenses		(312,404)	(312,194)
<b>FINANCIAL EXPENSE, NET</b>	27	<b>(75,534)</b>	<b>(271,769)</b>
<b>NET INCOME FOR THE YEAR</b>		<b>1,834,053</b>	<b>1,523,133</b>

See the accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In thousands of US Dollars)

	<u>12/31/2020</u>	<u>12/31/2019</u>
<b>SOURCES OF FUNDS</b>		
<b>Operations</b>		
NET INCOME FOR THE YEAR	1,834,053	1,523,133
Expenses items not affecting net working capital		
Long-term monetary restatements - loans	(34,439)	(15,034)
Long-term monetary variation - estimated liabilities	(261,015)	(125,398)
Write-offs of fixed assets	8,827	5,665
	<u>1,547,426</u>	<u>1,388,366</u>
<b>Third parties</b>		
Increase in non-current liabilities	265,411	336,234
Transfer of current liabilities to noncurrent liabilities	27,606	89,706
Transfer from noncurrent to current assets	3,157	3,157
Decrease in non-current assets	20,291	4,246
	<u>316,465</u>	<u>433,343</u>
<b>TOTAL FINANCIAL RESOURCES PROVIDED</b>	<u>1,863,891</u>	<u>1,821,709</u>
<b>INVESTMENTS OF FUNDS</b>		
Investments in property, plant and equipment and intangible assets	26,020	40,274
Incorporated charges on property, plant and equipment	405	569
Increase in non-current assets	15,394	15,856
Decrease in non-current liabilities	141,441	58,517
Transfer from the long to short-term - loans	1,860,810	1,743,611
Transfer from the long to short-term - estimated obligations	29,945	84,839
<b>TOTAL INVESTMENTS</b>	<u>2,074,015</u>	<u>1,943,666</u>
<b>DECREASE IN NET WORKING CAPITAL</b>	<u>(210,124)</u>	<u>(121,957)</u>
<b>STATEMENT OF CHANGES IN NET WORKING CAPITAL</b>		
<b>Closing net working capital</b>		
Final current assets	1,127,887	1,269,462
Final current liabilities	(2,606,085)	(2,537,536)
	<u>(1,478,198)</u>	<u>(1,268,074)</u>
<b>Opening net working capital</b>	<u>(1,268,074)</u>	<u>(1,146,117)</u>
<b>Decrease in net working capital</b>	<u>(210,124)</u>	<u>(121,957)</u>

See the accompanying notes to the financial statements.

**STATEMENT OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In thousands of US Dollars)

	<u>12/31/2020</u>	<u>12/31/2019</u>
<b>FROM OPERATING ACTIVITIES</b>		
NET INCOME FOR THE YEAR	1,834,053	1,523,133
Income (loss) adjustments		
Write-offs of fixed assets	8,827	5,665
Monetary restatements - loans	(32,476)	(8,661)
Monetary restatements - estimated obligations	(261,015)	(125,398)
Liability provisions		
Financial charges - loans	312,319	429,718
Provisions for personnel	(52,966)	(32,766)
Actuarial provisions	169,756	301,516
Provision for lawsuits	(18,202)	(5,827)
<b>Adjusted income (loss)</b>	<u><b>1,960,296</b></u>	<u><b>2,087,380</b></u>
 <b>Changes in assets and liabilities</b>		
Changes in trade accounts receivable	79,334	2,490
Changes in storeroom	257	2,353
Changes in other receivables	17,256	(5,829)
Changes in remunerations and reimbursements	(28,938)	(134,786)
Changes in suppliers and other liabilities	30,830	(8,624)
Changes in salaries and social security charges	(15,530)	11,613
Changes in estimated obligations	(9,620)	8,994
	<u><b>73,589</b></u>	<u><b>(123,789)</b></u>
<b>Net cash from operating activities</b>	<u><b>2,033,885</b></u>	<u><b>1,963,591</b></u>
 <b>FROM INVESTMENT ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(26,020)	(40,274)
<b>Net cash used in investment activities</b>	<u><b>(26,020)</b></u>	<u><b>(40,274)</b></u>
 <b>FROM FINANCING ACTIVITIES</b>		
Amortization of loans and financing	(1,740,767)	(1,634,360)
Payment of interest on loans and financing	(320,304)	(437,506)
<b>Net cash invested in financing activities</b>	<u><b>(2,061,071)</b></u>	<u><b>(2,071,866)</b></u>
 <b>TOTAL EFFECTS IN CASH AND CASH EQUIVALENTS</b>	<u><u><b>(53,206)</b></u></u>	<u><u><b>(148,549)</b></u></u>
 Opening balance of cash and cash equivalents	237,165	385,714
Closing balance of cash and cash equivalents	183,959	237,165
<b>Change in cash and cash equivalents</b>	<u><u><b>(53,206)</b></u></u>	<u><u><b>(148,549)</b></u></u>

See the accompanying notes to the financial statements.

**STATEMENT OF ADDED VALUE**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In thousands of US Dollars)

	12/31/2020	12/31/2019
<b>GENERATION OF ADDED VALUE</b>		
Revenues		
Contracted power	3,291,012	3,291,012
Remuneration for electricity assignment	217,973	241,513
Royalties and reimbursement for energy additional to the one tied to the contracted power	49,960	51,670
Sundry revenues (expenses)	(22,147)	(8,232)
	<b>3,536,798</b>	<b>3,575,963</b>
(-) Inputs acquired from third parties		
Material	13,563	16,252
Outsourced services	91,130	88,380
Other operating expenses	310,611	166,427
	<b>415,304</b>	<b>271,059</b>
<b>GROSS ADDED VALUE</b>	<b>3,121,494</b>	<b>3,304,904</b>
(+) Added value received as transfer		
Financial revenues	236,870	40,425
	<b>236,870</b>	<b>40,425</b>
<b>VALUE ADDED TO BE DISTRIBUTED</b>	<b>3,358,364</b>	<b>3,345,329</b>
<b>DISTRIBUTION OF ADDED VALUE</b>		
Compensation:		
Labor		
Direct remuneration	180,724	237,897
Benefits	113,745	133,643
Actuarial provisions	169,756	301,516
Labor Indemnities	(5,278)	28,940
FGTS	4,122	5,363
	<b>463,069</b>	<b>707,359</b>
Government		
INSS and IPS	23,997	30,080
Royalties	424,226	446,216
Remuneration for electricity assignment	217,973	241,513
	<b>666,196</b>	<b>717,809</b>
Third-party capital		
Debt charges	312,319	429,718
Monetary variation	-	(117,542)
Other financial expenses	85	18
	<b>312,404</b>	<b>312,194</b>
Own capital		
Yields from capital	50,010	50,510
Reimbursement for management and supervision charges	32,632	34,324
	<b>82,642</b>	<b>84,834</b>
<b>NET INCOME FOR THE YEAR</b>	<b>1,834,053</b>	<b>1,523,133</b>
<b>DISTRIBUTED ADDED VALUE</b>	<b>3,358,364</b>	<b>3,345,329</b>

See the accompanying notes to the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2020 AND 2019**

**(Amounts expressed in thousands of US Dollars,**  
**unless otherwise indicated)**

**1. OPERATIONS**

ITAIPU is a Binational Entity created and governed, with equal rights and obligations, by Treaty signed on April 26, 1973, between the Federative Republic of Brazil and the Republic of Paraguay, also referred as High Contracting Parties and the capital in equal portions to Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE, also referred as Parties.

ITAIPU is headquartered in Brasilia, Capital of the Federative Republic of Brazil and in Asunción, Capital of the Republic of Paraguay, and enjoys total tax exemption in both countries, according to the signed Treaty.

Its objective the utilization of the water resources of the Parana River to generate hydroelectric power, belonging to both countries, as a condominium, from and including the Salto Grande de Sete Quedas ou Salto de Guairá until the mouth of the Iguazu River, through the construction and operation of a Hydroelectric Power Plant, with a total installed capacity of 14,000 MW, generating electric power, with social and environmental responsibility, boosting economic, touristic and technological sustainable development in Brazil and Paraguay.

ITAIPU formally started its activities on May 17, 1974 and the Hydroelectric Power Plant was officially inaugurated on October 25, 1984, and two generating units were already available for contracting as of March 1985. In 1991, the first stage of the implementation of the generating units was completed. After entry into operation of the last two generating units in December 2006 and April 2007, the Hydroelectric Power Plant has 12,135 MW per month of power available for contracting by Eletrobras and ANDE.

In 2020, ITAIPU generated 76.4 million MWh, while in 2019 the company generated over 79.4 million MWh. Record power generation occurred in 2016 when it stood at 103.1 million kWh.

ITAIPU is governed by the rules provided for in the Treaty and its Attachments, referred to below, and its administrative bodies are a Board of Directors and an Executive Board, integrated by an equal number of members from each country.

Attachment "A" - ITAIPU Bylaws.

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

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

Treaty effective period is undetermined, as described in Article XXV, which establishes that its change depends on a new agreement of the High Contracting Parties. Provisions of Attachment “C”, specifically, in accordance with provisions of Article VI of said Attachment will be reviewed after a period of fifty years beginning as of the date in which the Treaty became effective, considering, among other aspects, amortization level of debts contracted by ITAIPU for plant construction and relation between powers contracted by both countries’ entities (Notes 14 and 23). Attachment “C” provides on supply conditions, breakdown of electricity service cost and revenue (see Notes to the Statement of Operation Account).

## 2. PRESENTATION OF FINANCIAL STATEMENTS

### Basis of presentation

As established in the official acts of the Entity, the Financial Statements have been prepared in accordance with the practices and the provisions of the constitutional Treaty of ITAIPU, its Attachments and other official acts, composed of the Balance Sheet, the Statement of Income (loss), Statements of Changes and Investments and Notes of the Financial Statements.

As Supplementary Information: the Statement of Cash Flow, Statement of Added Value and in Attachment I, Statement of Operating Account and Notes to the Statement of Operating Account.

#### a) Statement of cash flows

It is prepared by the indirect method and presents the cash flows for the year classified per operating, investment, and financing activities. Cash flows deriving from transactions that are the Entity’s main source of revenue are classified as operating activities. Therefore, they result from transactions and other events that are included in statement of income for the year. Disbursements for funds expected to generate cash flows in the future are classified and presented as cash flows deriving from investment activities. Cash flows related to suppliers of capital to the entity, such as banks, shareholders, etc. are classified and presented as cash flows deriving from financing activities.

#### b) Statement of added value - SAV

The purpose of the statement of added value is to provide information related to generation of wealth by the Entity in the period, and the effective way in which such wealth is distributed. The main components of wealth generated by the Entity are presented in revenue items, less inputs acquired from third parties plus added amounts received as transfers, which are subdivided according to each transaction nature. Wealth distribution components include amounts spent with personnel,

payroll charges, royalties, remuneration for electricity assignment and remuneration of own and third parties' capital. Its preparation is carried out considering basic conceptual structure for preparation and presentation of Financial Statements, and its data is obtained from reorganization of elements of the Statement of Income for the same period.

c) Statement of Operating Account

Preparation basis is described in Notes to the Statement of Operating Account (Attachment I).

Furthermore, as required by the Treaty, in its Annexes and other official acts, the Financial Statements and Supplementary Information were prepared in compliance with the accounting practices adopted in Brazil and Paraguay.

The main provisions and/or normative guidelines that differ from the accounting practices adopted in these countries are:

- (i) The depreciation of property, plant and equipment and the amortization of intangible assets is not accounted for during the period of its useful life (Notes 3.e, 12 and 13);
- (ii) The Entity's income (loss) are not presented in Shareholders' Equity. They are presented in Income (loss) under Assets (Note 11);
- (iii) Assessments of post-employment benefit obligations, which include: actuarial gains and losses and returns on plan assets, are recognized on the income statement in the income (loss) for the year (Notes 3.m and 19);
- (iv) The remuneration on own capital paid to the Parties does not consider the realization of profits. It represents an operating expense in the income (loss) (Notes 15 and 24);
- (v) ITAIPU does not prepare a Statement of Changes in Shareholders' Equity and a Statement of Comprehensive Income, because its Shareholders' Equity is not changed; and
- (vi) The Statement of Changes and Investments includes the Entity's Financial Statements and Cash Flow and Statements of Added Value, presented as supplementary information.

The issue of financial statements was authorized by the Executive Board on March 18, 2021.

### 3. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

In the preparation of the Entity's Financial Statements, the following accounting practices have been adopted to record its economic and financial transactions and operations:

#### a) Reference currency for recording transactions

When accounting for operations and presenting information in the Financial Statements, the US Dollar is used as the reference, as provided for in Attachment "A" to the Treaty.

The economic and financial operations carried out in sundry currencies have values translated into the United States Dollars based on the market closing rates disclosed by the Central Banks of Brazil and Paraguay, according to the following criteria:

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

Operating revenues from the provision of electricity services are calculated and accounted for in United States Dollars and invoice values related thereto are received in Reais or in Guaranis, with the application of the rates in effect on the day preceding receipt.

Yields from capital, royalties, and reimbursement of charges of management and supervision, as well as remuneration for electricity assignment, components of operating expenditure, are calculated and booked in United States Dollars and paid in Reais or Guaranis, at the rates in effect on the day preceding the payment.

Operating expenses, financial expenses, and sundry expenses, as well as financial revenues and sundry revenues, are converted to the rates of the day preceding the date in which they are incurred.

Accordingly, asset and liability balances in dollars of the United States of America on base date of these Financial Statements may have been changed due to change in quotation of

Brazilian Real and Guarani, mainly between this statement base date and Financial Statements reading date.

b) Use of estimates and judgments

The preparation of financial statements requires judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of accounting estimates are recognized in the period in which they are reviewed.

Information on uncertainties, assumptions and estimates that pose a high risk of resulting in a material adjustment within the next financial years are:

(i) Provision for impairment losses of fixed and intangible assets: the basis for verification of the necessity (or not) for the formation of provision; (ii) Measurement of post-employment benefit obligations: main actuarial assumptions; and (iii) recognition and measurement of provisions for lawsuits: main assumptions regarding the likelihood and magnitude of the outflows of funds.

c) Cash and cash equivalents

Include cash on hand, bank deposits and other short-term cash investments with high liquidity, promptly translated into a known sum of cash.

d) Trade accounts receivable

They are non-derivative financial assets with fixed payments, but not quoted in the active market. First-time measurement is calculated at value of electricity service provision and subsequent measurement is carried out at amortized cost.

e) Property, plant and equipment and intangible assets

Investments in works related to acquisition, construction, assembly and engineering, including general administration expenses, financial charges on third-party funds during the construction period, pre-operational costs for mobilization and training of personnel during the construction period and apportionments of administration expenses were accounted for under the historical cost principle. In the event of impairment losses, they will be deducted from this cost.

Revenues and refunds obtained based on exemptions and tax benefits related to the works were recorded during the construction period and reduced the cost of the work. From the start-up date of the Hydroelectric Power Plant, these figures were reallocated between the

cost of the work and sundry revenues and, after full operation, started to be recorded as sundry revenues.

ITAIPU does not account for the depreciation of property, plant and equipment and the amortization of intangible assets for their useful life, as revenue is based on liability charges and because these expenses are not part of the Electricity Service Costs, as defined in Attachment “C” of the Treaty.

f) Assessment of the recovery value of fixed and intangible assets - Impairment

By not accounting for the depreciation of property, plant and amortization of intangible asset, besides the amortization and financial charges equipment and having amortization and financial charges deriving from loans and financing obtained for the implementation of the project, as a component of Electricity Service Cost, ITAIPU uses projections of tariff composition (unit cost of electricity service), as a basis to verify the probable impairment losses of the fixed and intangible assets.

Projections of tariff breakdown are prepared annually based on Attachment “C” to the Treaty (see Notes to the Statement of Operation Accounts - Attachment I) and are subject to ITAIPU Board of Directors’ approval. These projections are the basis for preparation of cash flow projections up to 2023, year in which amortization of debt deriving from enterprise construction is expected as well as review of Attachment “C” to the Treaty, through which recoverability of fixed assets and intangible assets accounting value is evaluated in face of future cash flows.

g) Loans and financing

Loans and financing are measured at the amortized cost using the effective interest rate method (Note 14). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and to distribute and recognize interest revenues or expenses in the income (loss) for the year during the period.

h) Operating revenues

They include amounts deriving from provision of electricity services, which include revenue from contracted power, reimbursement of royalties and reimbursement of management and supervision charges deriving from energy additional to that linked to contracted power and remuneration for electricity assignment. Operating revenues are recognized at the accrual system, once compliance with performance obligations and transfer of service to clients is confirmed, in accordance with contract, reflecting consideration that the Entity expects to be entitled to in exchange for services provided.

i) Operating expenses

They include operating expenses, maintenance and administration relating to the operation of the hydroelectric plant, remuneration and reimbursements to the High Contracting Parties and Parties included in Attachment "C" of the Treaty and, from the financial year of 2005, expenditure related to social and environmental responsibility programs, due to Notes Number 228/05 of the Brazilian Embassy in Asuncion and Number 1/05 of the Ministry of Foreign Affairs of Paraguay, both of March 31, 2005. Operating expenses are recognized under the accrual system.

j) Financial revenues

They include revenues from any income from investments at banking institutions, the restatement of deposits used as collateral according to the Brazilian foreign debt restructuring agreement (Note 8), of arrears for late receipt of invoices for the provision of electricity services, with discounts obtained, and interest arising from the agreement signed with the ANDE for the construction of a substation on the right bank (Note 8) and other financial revenues.

k) Financial expenses

This includes financial charges from loans and financing agreements (Note 14), net inflation adjustments that are made up of inflation adjustments and exchange differences arising from contractually planned operations, principally in Reais and Guaranis, converted into the accounting currency for transactions, the United States Dollar, as described in item "a" of this Note, in addition to late payment on remuneration and reimbursements and other financial expenses.

l) Sundry revenues /expenses

Include revenues and expenses arising from the sale of scrap and useless equipment, property occupancy rates, sale of notices, write-off of assets and other similar items.

m) Post-employment benefits

ITAIPU recognizes its obligations arising from employee benefit plans by adopting the following practices:

- i) the actuarial evaluation of retirement and pension and medical care and hospital plans is carried out qualified actuaries using the method of projected credit and best estimates for the expected performance of investment plans for the funds, salary increases, employee retirement ages, turnover, mortality, expected costs for health care, among other things, respecting the particulars of each country;
- ii) retirement and pension plan actuarial result deriving from obligations' present value less fair value of plan assets, with immediate recognition of all actuarial gains and losses, is recognized, in case of deficit, in ITAIPU's Financial Statements, directly in income (loss) account. (Notes 2.iii and 19);
- iii) present value of medical and hospital care plan obligations, with immediate recognition of all actuarial gains and losses, is fully recognized in ITAIPU's Financial Statements, as it is directly sponsored by the Entity without segregation of assets to the plan, directly in income (loss) account. (Notes 2.iii and 19).

Accounting provisions related to said obligations are adjusted at year end or when there is some event that requires the review.

n) Profit sharing

Payment to employees of respected values such as profit sharing does not consider the determination of positive income (loss) in the years and is made according to the Terms of Agreement for the Distribution of Profit Sharing, signed each financial year. ITAIPU recognizes a provision for this expense in year of effective provision of service that originated this retribution.



#### 4. EFFECTS OF EXCHANGE-RATE CHANGES ON THE FINANCIAL STATEMENTS

The Entity's operations, carried out in several currencies, mainly in reais and in guaranis, are accounted for by reference to the US 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 3.a, to the extent of their variation in relation to the US dollar exchange rate.

##### Exchange rate for the United States Dollar

Closing rate	Brazil		Paraguay	
	Rates in reais (R\$)	Changes in the year - %	Rates in Guarani (Gs)	Changes in the year - %
2019	4.0307	4.0	6,463.95	8.4
2020	5.1967	28.9	6,941.65	7.4

The amounts accounted for in US dollars remain recorded at historical cost.

For information purposes, the table below shows the main inflation indexes for the financial years of 2020 and 2019.

##### Inflation indexes accumulated in the period

	In percentage - %	
	2020	2019
<b>Brazil:</b>		
National Amplified Consumer Price Index - IPCA Instituto Brasileiro de Geografia e Estatística	4.5	4.3
General Price Index - IGP-DI Fundação Getúlio Vargas	23.1	7.7
<b>Paraguay:</b>		
Consumer Price Index - IPC Central Bank of Paraguay	2.2	2.8

## 5. CASH AND CASH EQUIVALENTS

Comprise bank accounts and cash, held in reais and guaranis, equivalent in US dollars and those held in that currency at banks in Paraguay.

	2020	2019
Cash	11	14
Banks checking account	435	5,277
Interest earning bank deposits		
In Brazil		
Banco do Brasil - <i>Fixed Income 25 thousand</i>	54,002	116
Caixa Econômica Federal - CDB Flex	109,530	184,241
	163,532	184,357
In Paraguay		
Banco Atlas	38	9
Banco Bancop	-	9
Banco Basa	197	139
Banco Bilbao Vizcaya Argentaria	130	2,802
Banco Continental	22	4,678
Banco do Brasil	1	1
Banco Itaú	15,314	21,074
Banco Nacional de Fomento	11	13
Banco Regional	4,266	18,790
Sudameris Bank	2	2
	19,981	47,517
	183,513	231,874
<b>TOTAL</b>	<b>183,959</b>	<b>237,165</b>

## 6. TRADE ACCOUNTS RECEIVABLE

Refer to amounts arising from the provision of electricity services (Note 23), whose bills are due, respectively: on the 20<sup>th</sup> of the second month after generation, on the 30<sup>th</sup> of the second month after generation, and on the 10<sup>th</sup> of the third month after generation, except for invoices related to remuneration for electricity assignment that mature 45 days after generation.

This also includes provisions for the adjustment of the dollar on receivables from royalties and reimbursement of management and supervision charges from additional electricity linked to the contracted power and Remuneration for electricity assignment, (see Attachment I - Notes to Statement of Operating Account), for the current financial year and part of the previous financial year, which are billed in 12 installments, maturing from March the year following generation.

Aforementioned invoices are issued in United States Dollars, charged in Reais or Guaranis, according to exchange rates of sale (closing), the day prior to the collection, disclosed by the Central Banks of Brazil and Paraguay, respectively.

	2020	2019
Centrais Elétricas Brasileiras S.A. - Eletrobras	772,853	892,968
Administración Nacional de Electricidad - ANDE	174,271	117,918
(-) Provision for credits	(22,324)	(6,752)
<b>TOTAL</b>	<b>924,800</b>	<b>1,004,134</b>

In balances presented in chart above, both on December 31, 2020 and December 31, 2019, as there is an overdue amount, billed to Eletrobras in the equivalent amount of US\$ 54,969 and on December 31, 2020, there are overdue amounts of US\$ 50,237, billed to ANDE.

On these overdue amounts, there are increases for late payment of 0.5% per month during the first fifteen days of delay and 1% per month beginning as of the sixteenth day of delay. The amount of late-payment interest, recorded up to December 31, 2020, is US\$ 13,538 for Eletrobras and US\$ 673 for ANDE.

Regarding the overdue amount, billed to Eletrobras, it argued through formal correspondence that, in June, July and September 2018, its bound energy associated with the contracted power was not met and that a portion of the excess energy from ITAIPU, used by ANDE in said months, was the energy linked to the power contracted by Eletrobras.

In view of the above, Eletrobras informed ITAIPU that it would effect a discount of US\$ 54,969 on the invoice for the month of October 2018, due on December 20 of the same year.

ITAIPU Binacional sent, through formal correspondence, its response to Eletrobras regarding this claim. It states that the provision of electricity services in the aforementioned period by ITAIPU to the Purchasing Entities was carried out in strict compliance with the contractual instruments in force, which regulate said provision, proceeding with billing as provided for therein.

Several attempts have been made to resolve this issue between the parties involved, with a view to resolving the 2018 financial pending issue, without reaching a consensus.

By Resolution of the Board of Directors Meeting No. 045/2019, held on December 13, 2019, the Left Margin was commissioned to present, to the Executive Board and the Board of Directors, proposals for solutions related to the overdue invoice of October 2018 with Eletrobras.

Pursuant to the request made, at the 298<sup>th</sup> Ordinary Meeting of the Board of Directors held on April 24, 2020, two alternative solutions were presented for study and discussion by the General Executive Board of both margins.

Finally, the Board of Directors asked the Executive Board to present the proposals, by means of a Resolution by the Executive Board.

By Resolution of the Executive Board Meeting No. 093/2020, held on August 7, 2020, proposals for the right and left margins of ITAIPU were sent to the considerations of the Board of Directors, pursuant to Article 47 of ITAIPU's Internal Regulations for the settlement of the difference in relation to the collection of the billing of October 2018:

- Right Margin Proposal

Regularization via collection of the amount owed by Eletrobras, of US\$ 54.9 million and the corresponding default interest, with the application of the Memorandum of Understanding, dated 11.23.2000, by matching accounts of these amounts with the following payments due by Contract 1480/97 as of the adoption of this resolution.

- Left Margin Proposal

i) authorize economic and financial regularization for the year 2020 of the non-recoverable credit rights in the amount of US\$ 54.9 million, encumbering the balance of the Exploration Account; ii) waive the application of late payment charges on the amount mentioned in item "i)"; iii) authorize the offsetting of the Operating Account balance, limited to the amount defined by the 2020 Tariff Study up to the amount mentioned in item "i)", with funds from the left margin.

In view of this situation, estimated losses were incurred on the total late payment charges on this invoice and on part of the principal amount, totaling US\$ 22,324.

The provisioned amount of principal considers the possibility of estimated losses, weighted by the time elapsed between the date of the event that increased the credit risk and the date for offsetting credits with the instruments mentioned in the Executive Board's proposal.

Expected credit losses are a probability-weighted estimate of occurrence throughout estimated life of financial instrument. As the expected credit losses consider the amount and timing of payments and may occur even if the entity expects to be paid-up in full, but after the maturity provided for in the contract.

As provided for in Article XIV of the Treaty, ITAIPU's electricity services will be acquired by Eletrobras and ANDE, which may also do it through indicated Brazilian or Paraguayan companies or entities.

Since 2003, the acquisition of the electricity services of ITAIPU in Brazil is performed by Centrais Elétricas Brasileiras S.A. - Eletrobras, according to Decree Number 4,550 of December 27, 2002, which established the company as the sole Trading Agent of the Energy of ITAIPU. For Paraguay, the purchase of electricity services from ITAIPU is carried out by Administración Nacional de Electricidad - ANDE.

As defined in Article XIII of the Treaty, the High Contracting Parties undertake to acquire, jointly or separately, as they agree, the total installed capacity.

In accordance with Article II.4 of Attachment C, each entity has the right to use the energy that can be produced by the power contracted by it up to the limit that will be fixed, for each period of operation, by ITAIPU. It is understood that each entity will be able to use this power contracted by it, for the time required, within each period of operation, as long as the energy used by it in all that period does not exceed the limit mentioned above.

On the other hand, Article III of Annex C establishes that the amount required for the payment of royalties and reimbursement of management and supervision charges to the High Contracting Parties and Parties, respectively, is part of the cost of the electricity service.

ITAIPU issues its revenue invoices based on the provisions of an agreement, which establishes the contractual terms related to electricity services, known as Engagement Letter (Eletrobras) and Letter of Agreement (ANDE).

## 7. STOREROOM

Includes values of consumption materials in inventory for promptly meeting corporate needs. They are represented at the average acquisition cost. Change in consumption materials occurs through acquisition, transfers between warehouses, and removal for use.

## 8. BONDS RECEIVABLE

	2020	2019
Security deposits CT-80/92 (i)	233,565	222,211
Agreement ANDE 5808/99-Substation MD (ii)	1,373	2,007
Agreement ANDE 5808/99-Addendum n.2-T5/R5 (ii.a)	4,014	5,975
Agreement ANDE 5808/99-Addendum n.6-T4/R4 (ii.b)	312	451
Other	1,574	1,916
<b>TOTAL</b>	<b>240,838</b>	<b>232,560</b>
<b>Current</b>	<b>3,224</b>	<b>3,229</b>
<b>Non-current</b>	<b>237,614</b>	<b>229,331</b>

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

### (i) Security deposits CT-80/92

Cash guarantees mature in April 2024, are linked to loan raised from the Brazilian National Treasury, contract CT-80/92 (Note 14), comprise the Entity's right at amount equivalent to "Par-Bond" and "Discount-Bond" principal, are adjusted for inflation at rate provided for in medium and long-terms debt contract (DMLP) and disclosed on a half-annual basis in June and December each year by the Brazilian National Treasury Secretary- STN. For other months, adjustment is carried out based on the last rate disclosed.

### (ii) Agreement ANDE 5.808/99

Agreement entered into by ITAIPU and ANDE on March 30, 1999, for the purpose of establishing conditions for expansion of ITAIPU's Right Margin Substation, with ITAIPU being responsible for: preparation of project, acquisition of equipment and materials, civil construction work, assembling of equipment, and trials on putting into service and acceptance of facilities of Sector 3 of mentioned Substation, as well as these facilities' operation and maintenance services.

ITAIPU is responsible for obtaining necessary funds to finance facilities that are the object of this agreement and ANDE will compensate ITAIPU for disbursements made, under the same conditions of respective loan contract.

Six addenda to this contract were executed, including: (ii.a) the Addendum No. 2, dated August 20, 2010, aimed at establishing the compensation rules to ITAIPU by ANDE of payments under the loan contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 14), for the installation of an Autotransformer/Regulator of 500/220 kV (T5/R5) in the Substation of the Right Margin; and (ii.b) the Addendum No. 6, dated February 17, 2012, aimed at establishing the compensation rules to ITAIPU by ANDE of payments under the loan contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 14) for the Repowering of Autotransformer Set/Regulator (T4/R4) in the Substation of the Right Margin.

## 9. OTHER ACCOUNTS RECEIVABLE

	2020	2019
Advances to suppliers (i)	8,637	17,131
Restricted deposits (ii)	894	1,224
Advances to staff	427	384
Sundry receivables	1,197	1,189
<b>TOTAL</b>	<b>11,155</b>	<b>19,928</b>

- (i) Refer to advances made to suppliers of consumption materials and service providers that will be written-off upon delivery of merchandise or effective provision of services.
- (ii) The group of accounts called "Linked deposits" includes the balances of bank accounts linked to the Agreements and Terms of Cooperation executed into by ITAIPU and several bodies.

In these contracts, ITAIPU is the executing body and the manager of funds destined to respective projects.

Breakdown of this group of accounts is shown in chart below:

	2020	2019
ANDE Agreement of Cooperation L66kV (ii.a)	306	306
FINEP agreement (ii.b)	355	653
SESI and SENAI Terms of Cooperation (ii.c)	233	265
<b>TOTAL</b>	<b>894</b>	<b>1,224</b>

(ii.a) ANDE Agreement of Cooperation L66kV

The Agreement of Cooperation JEC.JE/055/2014 between ITAIPU and the Administración Nacional de Electricidad - ANDE, aimed at establishing the obligations and conditions regarding the execution of the following works and services to strengthen the electrical system of Alto Parana, Paraguay.

Details of the works and services performed are as follows:

- Construction of a Substation Microcenter in Ciudad del Este
- Repowering of overhead Transmission Line at 66 kV, between the substations of Acaray and Alto Parana; and
- Construction of two 66 kV underground Transmission Lines between the Alto Paraná Substation and the future Microcenter Substation in Ciudad del Este.

(ii.b) FINEP Agreement

On November 27, 2013, FINEP Agreement 01.13.0347-00 was executed with Financiadora de Estudos e Projetos - FINEP for execution of project "Hybrid Electric Ethanol Bus" with funds from the national Fund for Scientific and Technological Development. The project aims to develop a prototype of a top of the line ethanol hybrid electric bus, with all the necessary technical documentation, which will serve as a reference for scale production by the national industry.

(ii.c) SESI and SENAI Terms of Cooperation

Agreements entered into in Brazil with institutions SESI and SENAI to assign part of contribution funds related to INSS, levied on payroll, for investment in professional improvement programs and improvement of workers' social welfare.



## 10. JUDICIAL DEPOSITS

Refer to the amounts of appeal deposits, guarantee deposits and bank deposit certificates (CDB) in Brazil, as well as judicial embargoes in Paraguay, related to labor, tax, civil and commercial sphere, in which ITAIPU is a party.

	2020	2019
Brazil	34,704	50,863
Paraguay	2,410	2,588
<b>TOTAL</b>	<b>37,114</b>	<b>53,451</b>

In Brazil, judicial deposits related to labor matters are updated based on the FGTS correction factor and for the tax, civil and commercial purposes, based on the National Consumer Price Index - INPC. With exception of bank deposit certificates (CDB), as they are already adjusted in accordance with rules agreed upon at acquisition.

## 11. RESULTS

This includes the results of ITAIPU drawn from the results of Statement of Income for each year, accumulated up to December 31, 2019, and the income (loss) for the period ended December 31, 2020.

	2020	12/31/2019
Prior-year results	(10,334,629)	(8,811,496)
Income (loss) of the current year	(1,834,053)	(1,523,133)
<b>TOTAL</b>	<b>(12,168,682)</b>	<b>(10,334,629)</b>

The results presented are not used as a calculation basis for return on own capital, profit sharing, or formation of reserves (Note 2, items ii and vi).

Until 2023, the forecast year for the total debt amortization for the construction of the project and the revision of Attachment "C" of the Treaty, the amount of accrued values in the Income (loss) caption and total fixed and intangible assets of Entity, minus the amount of Capital, as defined in Attachment "C", the amortization of loans and financing is an integral part of the Electricity Service Cost and the depreciation of property, plant and equipment and amortization of intangible assets are not accounted for by the Entity (Note 2, item i).

## 12. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
<b>Fixed assets in service</b>		
Goods and production facilities	16,440,826	16,440,632
Other assets and facilities	751,004	750,601
Capital goods furniture	117,326	119,586
<b>Total fixed assets in service</b>	<b>17,309,156</b>	<b>17,310,819</b>
<b>Constructions in progress</b>		
Sundry property, plant and equipment	234,116	216,584
Advances of movable property	1,342	32
Technical reserve	53,693	53,341
<b>Total constructions in progress</b>	<b>289,151</b>	<b>269,957</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>17,598,307</b>	<b>17,580,776</b>

Property, plant and equipment in service, equivalent to 98.4% and 98.5% of total property, plant and equipment as of December 31, 2020 and 2019, respectively, represents the historical cost of construction of the ITAIPU Hydroelectric Power Plant: facilities for the production of electricity and auxiliary works, adjacent areas, administrative headquarters, in addition to movable assets.

These costs, originally, are classified as Construction in progress, being transferred to Property, plant and equipment in service, after the respective physical/accounting reconciliation process of each unit.

Sundry property, plant and equipment - equivalent to 1.3% and 1.2% of total Property, plant and equipment on December 31, 2020 and 2019, respectively - refer to investments in small facilities construction work and replacement of equipment, evaluated at historic acquisition cost. These investments are distributed into several assets, with no concentration of amounts per property, plant and equipment.

The charges on loans and financing relating to property, plant and equipment are recorded in Assets until effective start-up date of Fixed assets.

Inventories of spare materials to be used directly in the property, plant and equipment are recorded as a technical reserve.

The balances of property, plant and equipment are presented at the historical cost, since ITAIPU does not account for depreciation, due to having revenue calculated based on liability charges and because these expenses are not part of the Electricity Service Cost, as defined in Attachment "C" of the Treaty (Notes 3.e and 11).

In 2020, as well as for the financial year of 2019, the formation of provision for impairment was not deemed necessary (Note 3.f).

The net changes of Fixed Assets in 2020 was US\$ 17,531 and US\$ 33,846 in the same period of 2019 with the following breakdown:

	2020	2019
<b>Property, plant and equipment in the period</b>		
Sundry property, plant and equipment	20,131	27,342
Capital goods furniture	5,470	10,617
	<b>25,601</b>	<b>37,959</b>
<b>Economic (decreases) increases</b>		
Technical reserve	352	983
Financial charges	405	569
Write down of property, plant and equipment	(8,827)	(5,665)
	<b>(8,070)</b>	<b>(4,113)</b>
<b>Changes in fixed assets</b>	<b>17,531</b>	<b>33,846</b>

The write-off of property, plant and equipment in periods shown in chart above refer to donations of chattel considering public and social interest and effective write-off from sale of properties in housing complexes of both margins.

### 13. INTANGIBLE ASSETS

Consists of expenses inherent to obtaining intangible assets for the operation, maintenance and management of the Entity.

	<u>2020</u>	<u>2019</u>
Software	34,874	34,807
Right of use of easements strip	<u>69</u>	<u>69</u>
<b>TOTAL</b>	<b><u>34,943</u></b>	<b><u>34,876</u></b>

As described in Notes 3.e. and 11, ITAIPU does not account for the amortization of its Intangible Assets. In 2020, as well as for the financial year of 2019, the formation of provision for impairment was not deemed necessary (Note 3.f).

### 14. LOANS AND FINANCING

Loans and financing in US dollars and in other currencies are presented in the table below, duly updated and increased by interest and other financial charges, in accordance with the contractual conditions.

	Curren- y (3)	Anual interest rate	Contract value Total -	Debt				Amortization period		
				12/31/2020		12/31/2019		Beginning	End	Installment
				Short Term	Long Term	Short Term	Long Term			
I - ELETROBRAS										
ECF - 1480/97										
Tranche B - Principal	US\$	7,50	10.250.481	590.809	12.413	549.998	603.242	2001	2023	Monthly
Tranche C - Principal	US\$	4,10	1.780.955	61.560	75.121	59.006	136.681	2007	2023	Monthly
ECF - 1627/97										
Principal	US\$	7,50	181.577	9.931	11.586	9.931	21.518	1998	2023	Monthly
ECF - 1628/97										
Principal	US\$	7,50	211.116	20.850	24.325	20.850	45.175	2007	2023	Monthly
CT - 2686/08										
Principal	US\$	7,50 <sup>(4)</sup>	22.343	1.701	-	1.701	1.701	2012	2021	Monthly
				684.851	123.445	641.486	808.317			
II - BRAZILIAN NATIONAL TREASURY										
CT-80/92										
External Debt Restructuring (DMPL)	US\$	(2)(6)	918.235	1.871	243.369	2.355	243.369	1997	2023	Semi-annual
CT-424/TN CT-808/BNDES										
Eletrobras assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7,50	-	290.980	365.932	270.864	656.918	2001	2023	Monthly
Tranche C - Principal	US\$	4,10	-	65.899	80.250	63.344	146.150	2007	2023	Monthly
CT-425/TN CT-808/BNDES										
Eletrobras assignment (ECF-1480/97)										
Tranche B - Principal	US\$	7,50	-	644.159	804.926	599.626	1.449.114	2001	2023	Monthly
Tranche C - Principal	US\$	4,10	-	145.809	177.566	140.156	323.377	2007	2023	Monthly
				1.148.718	1.672.043	1.076.345	2.818.928			
III - OTHER CONTRACTS										
FIBRA - Fundação Itaipu BR de Previdência e Assistência Social										
CT-56/18 - SERV. PASSADO REAJ. SAL.	R\$	5,76 <sup>(8)</sup>	141.536	4.927	91.542	6.006	124.376	2018	2038	Monthly
CT - 7218/03 <sup>(1)</sup>	R\$	6,00 <sup>(5)</sup>	73.911	2.980	3.703	3.446	8.190	2004	2023	Monthly
				7.907	95.245	9.452	132.566			
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional										
PIB 2010-10-0001 - T5/R5	US\$	8,00	15.000	2.119	1.895	1.962	4.014	2012	2022	Monthly
PIB 2011-10-0001 - Repow ering T1/R1, T2/R2, T3/R3 E TX/RX	US\$	8,00	5.000	707	-	655	707	2012	2021	Monthly
PIB 2011-10-0002 - Sectioning L3 e L4 500l	US\$	8,00	42.000	5.365	5.294	4.968	10.659	2013	2022	Monthly
PIB 2011-10-0003 - Environment MD	US\$	8,00	12.000	1.889	1.171	1.749	3.060	2013	2022	Monthly
PIB 2012-10-0001 - Repow ering T4/R4	US\$	8,00	1.132	150	162	139	312	2013	2022	Monthly
CT-257/18 - SERV. PASSADO REAJ. SAL.	Gs.	5,51 <sup>(7)</sup>	129.445	5.771	94.734	5.873	107.932	2018	2038	Monthly
				16.001	103.256	15.346	126.684			
Other lenders										
Banco Continental S.A.E.C.A. - ITAIPU Pre	US\$	6,00	11.500	1.917	1.757	1.917	3.674	2016	2022	Monthly
Banco Bilbao V. A. S.A.- Estudo Atual. Te	US\$	5,75	4.537	825	825	825	1.650	2017	2022	Monthly
				2.742	2.582	2.742	5.324			
TOTAL LOANS AND FINANCING				1.860.219	1.996.571	1.745.371	3.891.819			

(1) The total amount of the contract translated at the current rate on the date of the release and updated at the balance sheet closing rate for the period

(2) Interest rates  
Six month Libor + Spread, 6,00

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

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

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

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

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

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

As established in ITAIPU Treaty, funds required for studies, construction and operation of electric plant. and construction work of auxiliary facilities will be supplied by High Contracting Parties or obtained by ITAIPU through credit transactions.

High Contracting Parties - together or separately, directly or indirectly, as agreed - will give ITAIPU, as requested, guarantee for credit operations it carries out.

According to schedule for payment of debt deriving from construction of plant and associated construction work, debt balance will be amortized up to 2023 and cash deposits contracted by Itaipu in 1992 referring to loan raised from the Brazilian National Treasury, contract CT-80/92, will be used in April 2024.

In December 2018, contracts were executed for payment in installments and acknowledgment of debts with supplementary social security foundations related to the mathematical reserve difference deriving from updating of actuarial assumptions of founding members past service time and adjustments of salary table in Brazil and Paraguay. These contracts have installments maturing by 2038.

Contracts entered into with Centrais Elétricas Brasileiras S.A.- Eletrobras and other creditors, shown in chart above, refer to:

I - Eletrobras

Eletrobras ECF-1480/97 Financing Contract  
Refinancing of overdue and current debt balances of total ITAIPU debts deriving from financing contracts with Eletrobras.

Eletrobras ECF-1627/97 Financing Contract  
Financing of remaining investment cost of Construction Work Completion Plan (PCO).

Eletrobras ECF-1628/97 Financing Contract  
Financing of installation of the last two ITAIPU generating units (9A and 18A).

Eletrobras ECF-2686/08 Financing Contract  
Coverage of total cost of Supplementary Investment Program (PIC).

## II - Brazilian National Treasury / National Bank for Economic and Social Development

### Contract CT-80/92

Renegotiation of external obligations of medium and long-term loan contracts with external creditors.

This contract establishes guarantees for principal in the form of cash deposits, as mentioned in Note 8.

### Contract CT 424/TN and Contract CT 425/TN

Signed between Eletrobras and Brazilian National Treasury, on December 29, 1998, establishing the assignment of a part of credits which that company held together with this Entity, related to the Contract ECF-1480/97 executed into between ITAIPU and Eletrobras.

Based on these credit granting contracts, ITAIPU directly transfers to the Brazilian National Treasury part of amounts owed to Eletrobras pursuant to contract ECF-1480/97, according to transfers flow defined in contracts.

Additionally, the Brazilian National Treasury, through concession agreements No. 808/PGFN/CAF of December 28, 2012, granted to the National Bank for Economic and Social Development - BNDES, part of credit receivables held against ITAIPU, under contract numbers 424/TN and 425/TN. The flow of disbursement started in March 2020.

## III - Other contracts

### Contract CT-7218/03

The contract executed into with FIBRA, from the Resolution of the Board of Directors, RCA 010/03, of September 5, 2003, which revoked the payment in kind of real estate for partial discharge of debts of ITAIPU with FIBRA, for the period of 1989 to 1992, which was approved by the Board of Directors Resolution RCA 004/93, of January 11, 1993.

### Contract CT-56/18

Settlement of debt with *Fundação Itaipu-BR de Previdência e Assistência Social* (FIBRA) related to mathematical reserve difference deriving from updating of actuarial assumptions of founding members past service time and adjustments of salary table above inflation.

CAJUBI and other lenders' contracts

Related to specific projects, according to denomination included in every contract of chart above.

Contract CT-257/18

Settlement of debt with *Caja Paraguaya de Jubilaciones y Pensiones del Personal de la ITAIPU (CAJUBI)* related to mathematical reserve difference deriving from updating of actuarial assumptions of founding members past service time and adjustments of salary table above inflation.

The payment schedule for long-term loans and financing with Eletrobras, the Brazilian National Treasury and other institutions provides for the following annual amortizations:

Year	
2022	1,348,873
2023	241,286
2024	255,976
2025	13,316
2026	14,065
2027-2038	123,055
<b>TOTAL</b>	<b>1,996,571</b>

As debt service, the following amounts relating to interest and repayment commitments due in each year were settled:



Financing entities	2020	2019
<b>Eletrobras</b>		
Principal	641,508	601,835
Charges	78,645	121,163
	<b>720,153</b>	<b>722,998</b>
<b>Brazilian National Treasury Credit Assignment of Eletrobras</b>		
Principal	1,074,027	1,006,240
Charges	210,675	279,427
	<b>1,284,702</b>	<b>1,285,667</b>
<b>Brazilian National Treasury Foreign debt restructuring</b>		
Charges	9,545	11,231
	<b>9,545</b>	<b>11,231</b>
<b>Fibra</b>		
Principal	7,425	9,044
Charges	11,227	13,815
	<b>18,652</b>	<b>22,859</b>
<b>Cajubi</b>		
Principal	15,066	14,500
Charges	9,807	11,301
	<b>24,873</b>	<b>25,801</b>
<b>Other lenders</b>		
Principal	2,741	2,741
Charges	405	569
	<b>3,146</b>	<b>3,310</b>
<b>Total</b>		
Principal	1,740,767	1,634,360
Charges	320,304	437,506
	<b>2,061,071</b>	<b>2,071,866</b>

There are no overdue debt installments, ancillary clauses (*covenants*) linked to the financial results of the Entity, or those that establish new obligations that influence the amounts recognized in liabilities.

## 15. REMUNERATION AND REIMBURSEMENTS

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

	2020			2019		
	Principal	Dollar adjustment	Total	Principal	Dollar adjustment	Total
<b>Paraguayan Government</b>						
Royalties (i)	5,897	143,356	149,253	8,928	132,069	140,997
Remuneration for electricity assignment (ii)	4,788	148,950	153,738	17,500	159,141	176,641
<b>Subtotal</b>	<b>10,685</b>	<b>292,306</b>	<b>302,991</b>	<b>26,428</b>	<b>291,210</b>	<b>317,638</b>
<b>Brazilian Government</b>						
Royalties (i)	5,897	143,356	149,253	17,103	144,169	161,272
<b>Subtotal</b>	<b>5,897</b>	<b>143,356</b>	<b>149,253</b>	<b>17,103</b>	<b>144,169</b>	<b>161,272</b>
<b>Administración Nacional de Electricidad - ANDE</b>						
Reimbursement for Management and Supervision Charges (iii)	1,223	10,258	11,481	1,315	11,090	12,405
Yields from Capital (iv)	6,000	18,991	24,991	6,000	19,203	25,203
<b>Subtotal</b>	<b>7,223</b>	<b>29,249</b>	<b>36,472</b>	<b>7,315</b>	<b>30,293</b>	<b>37,608</b>
<b>Centrais Elétricas Brasileiras S.A. - Eletrobras</b>						
Reimbursement for Management and Supervision Charges (iii)	1,223	10,258	11,481	1,315	11,090	12,405
Yields from Capital (iv)	6,000	18,991	24,991	6,000	19,203	25,203
<b>Subtotal</b>	<b>7,223</b>	<b>29,249</b>	<b>36,472</b>	<b>7,315</b>	<b>30,293</b>	<b>37,608</b>
<b>TOTAL</b>	<b>31,028</b>	<b>494,160</b>	<b>525,188</b>	<b>58,161</b>	<b>495,965</b>	<b>554,126</b>

- (i) Royalties: Compensation owed to High Contracting Parties due to use of Paraná River hydraulic potential.
- (ii) Remuneration for electricity assignment: Amount owed to Paraguayan Government related to assignment of rights to part of energy.
- (iii) Reimbursement for management and supervision charges: Amount owed to the Parties as reimbursement of management and supervision charges related to ITAIPU.
- (iv) Yields from Capital: Remuneration paid to the Parties on invested capital.

Remuneration and reimbursements are calculated in accordance with Attachment “C” to the Treaty and respective Agreements (See Attachment I - Notes to Statement of Operating Account).

In the balances presented in the chart above, there are no amounts overdue both on December 31, 2020 and 2019.

On overdue amounts, there are increases for late payment of 0.5% per month during the first fifteen days of delay and 1% per month beginning as of the sixteenth day of delay.

The amounts resulting from the adjustment of the dollar generated for the year on royalties, reimbursement of management and supervision charges and remuneration for energy assignment are paid in 12 installments as of March of the year following the year ended. The figures for the Dollar adjustment of yields from capital in the year, corresponding to Eletrobras and ANDE, are paid in a single installment on the last business day of the month following the month in which the final calculation is made. These amounts will be mandatorily offset against the debts that Eletrobras and ANDE have with ITAIPU, which can be prepaid if cash is available.

## 16. SUPPLIERS

Include obligations deriving from acquisition of assets or contracting of services required to operate the enterprise and develop social and environmental actions.

## 17. SALARIES AND SOCIAL CHARGES

	2020	2019
Provision for vacation and social security charges	31,506	36,134
Provision for profit sharing	22,828	26,625
Supplementary pension foundations	7,451	9,465
Payroll charges payable	5,262	6,136
Other	6,467	18,567
<b>TOTAL</b>	<b>73,514</b>	<b>96,927</b>

## 18. LABOR INDEMNITIES

	2020	2019
Permanent voluntary termination program (i)	46,270	64,298
Indemnity for length of service (ii)	184,870	215,012
<b>TOTAL</b>	<b>231,140</b>	<b>279,310</b>
<b>Current</b>	<b>40,125</b>	<b>43,177</b>
<b>Non-current</b>	<b>191,015</b>	<b>236,133</b>

Include amounts related to indemnities to be paid to employees upon termination, with provision recorded in accordance with provisions of respective Collective Bargaining Agreements based on Protocol of Labor Relations and Social Security entered into by the Federative Republic of Brazil and the Government of Republic of Paraguay, which establishes legal standards applicable in relation with Labor and Social Security Law to employees contracted by ITAIPU, regardless of their nationality.

These indemnities were negotiated with Unions for the purpose of finding a balance between employees contracted in Brazil and those contracted in Paraguay in relation to termination indemnity systems according to length of service.

(i) Permanent voluntary termination program (PPDV)

Program through which ITAIPU's employees contracted in Brazil may be terminated from the Entity with payment of indemnity, in accordance with provisions of its regulation, approved through Executive Board Resolution RDE-183/2007 and respective clause of Collective Bargaining Agreements.

Employees with employment relationship with ITAIPU over a period equal to or higher than nine years that leave the Entity by means of a mutual agreement, observing specific conditions included in program regulation, may join this program.

Indemnity amounts in the program are legal indemnities defined by Brazilian labor law plus supplementary amount calculated according to number of years of employment relationship with ITAIPU.

Legal amounts are owed to all employees contracted in Brazil, regardless of the time of employment relationship with the Entity, but only amounts owed to employees able to join mentioned program are part of respective accounting provisions.

(ii) Indemnity for length of service

Indemnity provided for in Collective Bargaining Agreements entered into by ITAIPU and Unions representing employees contracted in Paraguay, based on Protocol on Labor Relations and Social Security and on Article 97 of the Paraguayan Labor Code, which will be paid to the employee that leaves the Entity except in case of just cause termination, in conformity with this rule:

- a) For employee whose work contract duration is lower than nine years, indemnity will be calculated based on the month with the highest remuneration received by the worker, per year of service or per annum, and fraction equal to or higher than six months;
- b) After nine years of work contract duration, employee will be entitled to double indemnity provided for in prior paragraph.

Respective accounting provision includes total estimated amounts related to indemnities, according to above-mentioned items "a" and "b", since according to Paraguayan labor legislation, severance pay fund (FGTS), legal amount provided for in Brazilian law, is not paid.

## 19. POST-EMPLOYMENT BENEFITS

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

FIBRA's Bylaws was approved by the Ministry of Social Security - MPAS on November 30, 1988, through Ordinance 4367 and its Regulation approved by the ITAIPU Board of Directors' Resolution RCA-041/87.

CAJUBI was created by Law 1,361/88, dated December 19, 1988, and its Regulation was approved by ITAIPU Board of Directors Resolution RCA-039/09; it was last adjusted on December 14, 2012 through ITAIPU Board of Directors' Resolution RCA-047/12.

Both FIBRA and CAJUBI's retirement and pension plans have the "defined benefit" characteristic, according to which contributions are made by the sponsor and participants. These contributions are based on an actuarial study, in accordance with current legislation in Brazil and Paraguay, to provide sufficient funds to cover current obligations with benefits already granted, and future obligations, with benefits to be granted,

Benefits provided for in the retirement and pension plan are as follows:

i) Employees hired in Brazil:

- a) Retirement supplementation per length of contribution, disability and age;
- b) Special retirement supplement;
- c) Imprisonment assistance;
- d) Pension supplement;
- e) Temporary special death benefit;
- f) Funeral assistance for the death of the beneficiary; and
- g) Supplementation of annual allowance.

ii) Employees hired in Paraguay:

- a) Ordinary retirement and disability;
- b) Extraordinary retirement;
- c) Voluntary early retirement;
- d) Imprisonment assistance;
- e) Pension;
- f) Funeral assistance;
- g) Settled benefit of retirement plan; and
- h) Annual bonus.

Administrative cost of plans is the responsibility of sponsor ITAIPU, which pays a specific contribution to both Entities.

To cover plans' benefits, regular sponsor contribution rate is 15% for plan administrated by FIBRA and 21.315% for plan administrated by CAJUBI, calculated on total of respective payroll.

FIBRA's active members contribute with rates in three bands: 2.89%, 4.80% and 14.47%, applied to Actual Contribution Salary. CAJUBI's active members contribute with fixed rate of 8.526% on remunerations.

Both FIBRA and CAJUBI's assisted members contribute with rate of 10% of their benefits. In case of CAJUBI, pension members contribute with rate of 10% of their benefits.

In addition to the retirement and pension plan, ITAIPU offers a health care plan for its employees and dependents, extending it to retirees and pensioners, including dependents, of FIBRA and CAJUBI.

Since the financial year of 2003, ITAIPU calculates the liability from post-employment benefits relative to the health care plan, and from 2009 on the retirement and pension plan. For this, qualified actuaries are hired and they prepare the opinions, based on the accounting standard CPC 33/NIC 19 to both programs.

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

	BRAZIL		PARAGUAY		TOTAL	
	2020	2019	2020	2019	2020	2019
<b>Obligations recorded on the balance sheet - long-term</b>						
Retirement plan benefits	57,029	135,597	903,334	790,531	960,363	926,128
Health plan benefits	319,995	444,458	574,445	537,975	894,440	982,433
	<b>377,024</b>	<b>580,055</b>	<b>1,477,779</b>	<b>1,328,506</b>	<b>1,854,803</b>	<b>1,908,561</b>
<b>Provisions recognized in the statement of income for the years</b>						
Retirement plan benefits	48,144	(96,175)	(169,147)	(122,753)	(121,003)	(218,928)
Health plan benefits	24,738	(57,841)	(73,491)	(24,747)	(48,753)	(82,588)
	<b>72,882</b>	<b>(154,016)</b>	<b>(242,638)</b>	<b>(147,500)</b>	<b>(169,756)</b>	<b>(301,516)</b>

In the annual assessment of post-employment benefits the following assumptions were used:

	BRAZIL		PARAGUAY	
	2020	2019	2020	2019
<b><u>GENERAL DATA</u></b>				
Active participants	1,326	1,386	1,548	1,579
Retired participants	1,685	1,640	1,671	1,618
Pensioners	275	262	386	378
<b><u>ECONOMIC ASSUMPTIONS</u></b>				
Real discount rate (p.a) - pension plan	3.75%	3.30%	4.21%	5.15%
Real discount rate (p.a) - health plan	3.75%	3.30%	4.21%	5.15%
Assets expected return rate (p.a.)	7.18%	7.25%	8.38%	9.36%
Real rate of wage developments (p.a)	2.83%	2.83%	3.50%	3.50%
Real rate of growth in costs (p.a.)	2.00%	2.00%	2.00%	2.00%
Inflation	3.31%	3.82%	4.00%	4.00%
	98.20%	97.37%	97.80%	97.83%



	BRAZIL		PARAGUAY	
	2020	2019	2020	2019
Benefits capacity factor				
<b>ACTUARIAL ASSUMPTIONS</b>				
General mortality table	AT-2012 (75% Male 25% Female)	AT-2000 (-20%)	AT-2000 (-10%)	AT-2000 (-10%)
Mortality table of individuals with permanent disability	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	AT-1983
Table of new disability benefit vested	Light Weak	Light Weak	Light Weak	Light Weak
Turnover table	0.12%	0.12%	0.50%	0.50%

a) Pension plan

Post-employment benefit liability corresponding to pension plans is annually adjusted for based on respective actuarial reports. Accounting provision of amount related to actuarial deficit of benefit plan administered by CAJUBI was initially recognized in 2009 and actuarial deficit of benefit plan administered by FIBRA was initially recognized in 2016. These provisions are annually adjusted for based on respective accounting opinions.

**STATEMENT OF ACTUARIAL SURPLUS (DEFICIT) OF DEFINED BENEFIT PENSION  
PLAN SPONSORED BY ITAIPU BINACIONAL**

DESCRIPTION	FIBRA		CAJUBI	
	2020	2019	2020	2019
Fair value of the plan assets	972,445	1,169,151	230,476	238,967
Present value of the obligations	(1,132,626)	(1,446,766)	(1,253,067)	(1,171,528)
Actuarial deficit	(160,181)	(277,615)	(1,022,591)	(932,561)
Loan and debt contracts	103,152	142,018	119,257	142,030
Actuarial deficit, net	(57,029)	(135,597)	(903,334)	(790,531)

The actuarial reserves are recorded excluding the obligation already recognized by ITAIPU in its Financial Statements, regarding loans and debt contracts, with the entities FIBRA and CAJUBI. The details of such contracts are provided in Note 14.

To the sponsor and participants, assets and beneficiaries, the responsibility for the financial and actuarial balance of retirement and pension plans in their respective proportions and lawsuits is assigned. The two retirement and pension plans have in their articles of incorporation: Art. 62 of FIBRA's Bylaws and Art. 94 and 95 of Law of CAJUBI Creation, as mechanism for maintaining actuarial balance, the provision for performing actuarial reviews on ordinary basis, once a year, and, extraordinarily, whenever the Board determines. Any contribution arising from the review provided in these articles, conditioned to the prior authorization of ITAIPU's Executive Board and the Board of Directors, will be made through changes to the contribution percentages by the participant and the sponsor.

Aimed at providing sustainability and convergence to the Pension Plans in both margins, the Board of Directors, through the Board of Directors' Resolution RCA-007/16, of February 26, 2016, approved the guidelines on the Project on the Settlement of the pension plans in effect in ITAIPU Binacional and the creation of new plans.

Aiming to comply with the guidelines approved by the Board of Directors, the Executive Board took the necessary steps to pay and create new pension plans, including the assembling of a Working Group and the engagement of a specialized consulting firm.

The results of the work of the consulting firm referring to phase 1 of the contract regarding Assessment, Planning and Definition of the settlement strategy for pension plans and the creation of new plans in Brazil and Paraguay were presented and are awaited the decision of Itaipu Binacional's Executive Board.

After over a year of its presentation, the Board of Directors of ITAIPU requested the update of step 1 of the contract. This work was carried out in accordance with the updated economic scenarios and databases, and the final report for step 1 and its attachments were approved by the Board at the 1076th Executive Board Meeting held on August 7, 2020.

As a result of the approval, work started on steps 2 and 3 of the contract to operationalize the settlement of the current plans and the creation of new pension plans, which are estimated to be delivered by the consortium contracted in May 2021. Subsequently, they will be sent for consideration the Executive Board and the Board of Directors, expected to be approved in June 2021.

As of the approval of the Board of Directors, the corresponding arrangements will be initiated for the presentation to the Paraguayan Congress and, in Brazil, the submission for the approval of Previc, scheduled for November 2021.

b) Health care

The actuarial liabilities related to the health care plan are fully recognized in the sponsor's liabilities, ITAIPU, once there are no assets segregated in the plan. In the end of each year, these amounts are adjusted based on actuarial opinions.

**STATEMENT OF THE ACTUARIAL VALUATION OF THE OBLIGATIONS REGARDING  
THE HEALTH PLAN SPONSORED BY ITAIPU BINACIONAL**

DESCRIPTION	BRAZIL		PARAGUAY	
	2020	2019	2020	2019
Fair value of the plan assets	-	-	-	-
Present value of the obligations				
Rights due	241,977	325,684	444,481	417,090
Rights falling due	78,018	118,774	129,964	120,885
	<b>319,995</b>	<b>444,458</b>	<b>574,445</b>	<b>537,975</b>
Unrecognized gains (losses)	-	-	-	-
Recorded actuarial liability	<b>319,995</b>	<b>444,458</b>	<b>574,445</b>	<b>537,975</b>

Possible changes in actuarial assumptions, such as discount rates, keeping all other assumptions constant, would affect the obligations for post-employment benefits as shown in the following table:

	Liability amount 2020		Impact	
	Discount rate used		Projected scenarios	
			0.5% increase	0.5% decrease
Pension plan - Brazil	3.75%	(57,029)	72,492	(83,313)
Pension plan - Paraguay	4.21%	(903,334)	76,570	(85,267)
Brazil Health Plan	3.75%	(319,995)	23,251	(10,816)
Paraguay Health plan	4.21%	(574,445)	39,785	(44,797)

## 20. PROVISIONS FOR LAWSUITS

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

The lawsuits that ITAIPU is a party, whether as a plaintiff or defendant, are classified based on the risk of loss, having the following accounting treatment:

- i) Regarding lawsuits with risk of probable loss, the provisions are formed;
- ii) For lawsuits which risk of loss is “possible” the corresponding information is disclosed in the Notes, a provision not being recognized; and
- iii) For causes where a risk of remote loss are not subject to formation of provisions or disclosure.

The accounting provisions related to lawsuits or administrative proceedings are constituted by amounts periodically updated, presented in the table below, to represent the best estimate of future disbursements, based on reports issued by the Entity’s legal areas. However, it should be stressed that it is not possible to inform the exact moment the payments related to lawsuits as of the reporting date of the Financial Statements, once they are conditioned to the execution of lawsuits in progress in several judicial or administrative levels.

	2020			2019		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
<b>Current</b>						
Tax	12,647	-	12,647	10,586	-	10,586
Civil	15	-	15	28	-	28
Commercial	5,964	88	6,052	-	35	35
Labor	6,309	4,999	11,308	33,484	7,656	41,140
	<b>24,935</b>	<b>5,087</b>	<b>30,022</b>	<b>44,098</b>	<b>7,691</b>	<b>51,789</b>
<b>Non-current</b>						
Tax	6,976	-	6,976	13,082	-	13,082
Civil	18	-	18	55	-	55
Commercial	100,872	44	100,916	133,844	48	133,892
Labor	3,103	5,611	8,714	4,016	6,047	10,063
	<b>110,969</b>	<b>5,655</b>	<b>116,624</b>	<b>150,997</b>	<b>6,095</b>	<b>157,092</b>
<b>Total</b>	<b>135,904</b>	<b>10,742</b>	<b>146,646</b>	<b>195,095</b>	<b>13,786</b>	<b>208,881</b>

In the chart below the summary of changes in the book balances related to lawsuits is shown:

	<u>Tax</u>	<u>Civil</u>	<u>Commercial</u>	<u>Labor</u>	<u>Total</u>
<b>Balance at 12/31/2019</b>	<b>23,668</b>	<b>83</b>	<b>133,927</b>	<b>51,203</b>	<b>208,881</b>
<b>Brazil</b>					
(+) Additions	4,673	16	7,900	15,478	28,067
(-) Write-offs/reversals	(3,420)	(45)	(4,930)	(35,791)	(44,186)
Exchange-rate change	(5,298)	(21)	(29,980)	(7,774)	(43,073)
<b>Paraguay</b>					
(+) Additions	-	-	96	159	255
(-) Write-offs/reversals	-	-	(38)	(2,300)	(2,338)
Exchange-rate change	-	-	(7)	(953)	(960)
<b>Balance at 12/31/2020</b>	<b>19,623</b>	<b>33</b>	<b>106,968</b>	<b>20,022</b>	<b>146,646</b>

The lawsuits in Brazil and Paraguay classified as a “possible” risk of loss, for which no accounting provision has been made, are presented in the table below:

	<u>2020</u>			<u>2019</u>		
	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>
Tax	4,189	-	4,189	30	-	30
Civil	52	616	668	37	661	698
Commercial	9,473	2,070	11,543	11,005	3,288	14,293
Labor	458	8,022	8,480	1,381	5,584	6,965
Environmental	-	140	140	-	150	150
<b>Total</b>	<b>14,172</b>	<b>10,848</b>	<b>25,020</b>	<b>12,453</b>	<b>9,683</b>	<b>22,136</b>

Regarding the type of lawsuits in progress in Brazil and Paraguay, ITAIPU informs that:

i) Tax lawsuits

In Brazil, out of the forty-three (43) labor lawsuits (especially arising from administrative proceedings and tax foreclosures) in which ITAIPU is a party (plaintiff or defendant), we highlight those related to the assessments arising from the non-payment of the social security contribution on the amounts included in payroll (profit sharing, education expenditures, remuneration paid to non-employee directors, salary bonus, and housing allowance). Some of these lawsuits are in administrative pleadings phase (PAF). In 2020, the change in the provisioned amounts was solely caused by the adjustment of amounts, reassessment of risk.

In Paraguay, there are no tax lawsuits in progress.

ii) Civil lawsuits

In Brazil, of the One hundred forty two (142) civil lawsuits (including administrative lawsuits) to which ITAIPU is a party (plaintiff or defendant), we highlight those involving discussions on: benefits of ITAIPU's self-managed healthcare plan, selection processes, FIBRA, assessments by the National Health Agency (ANS) regarding PAMHO's management, and lawsuits for damages/collection, proprietary and possessory lawsuits.

The twenty-six (26) lawsuits of civil nature in progress in Paraguay correspond to claims for recovery and repossession of real estate properties owned by ITAIPU. It should be informed that, in Paraguay, the suit for pecuniary losses and damages may be dealt with in the scope of both civil and commercial laws.

iii) Commercial lawsuits

Out of seventy-five (75) commercial lawsuits in progress in Brazil that ITAIPU is a party (plaintiff or defendant), we highlight nine (9) filed by companies which had contractual relationships with ITAIPU during the Plant's construction period, of damages characteristics. The other lawsuits are related to claims derived arising from bidding processes, of claims for restoring the contract's economic and financial balance, of actions arising contract breaches as collection of late-payment interest or, even, claims for damages related to ITAIPU's and its management's image.

Out of the twenty-two (22) commercial lawsuits in progress in Paraguay, most of them corresponds to litigations of companies and contractors in the concept of claims for losses and damages due to breach of contracts.

#### iv) Labor lawsuits

In Brazil, there are four hundred twenty (420) labor lawsuits in which ITAIPU is a party (plaintiff or defendant). Most of them are filed by the employees of companies engaged or with some sort of relationship with ITAIPU, in which they usually claim the subsidiary liability of the company for the payment of salary amounts owed by the actual employer. There is also a significant amount of labor claims filed by ITAIPU's former employees, of which the most common demands are: wage reclassification, salary equivalence, difference/payment of risk premium, overtime payment, recognition of employment relationship over periods of work performed through outsourced companies, and reflections in the permanent voluntary redundancy plan (PPDV), and in annually-adjusted monthly bonus. Out of the total, eleven (11) are class actions filed by the trade unions that represent the employees. In 2020, the change in the provisioned amounts was solely caused by the adjustment of amounts, reassessment of risk, as well as the recalculation of certain amounts provisioned in collective proceedings. There was also a write-off/reversal of part of the amounts provisioned to ITAIPU due to the settlement or termination of labor claims.

Out of the two hundred fifty-two (252) labor lawsuits in progress in Paraguay are claimed, and mainly refer to collections in many salary concepts, lawsuits for annulment of dismissal and readmission, filed by former employees of ITAIPU, and, in some specific cases, retired employees.

#### v) Environmental lawsuits

Of the ninety-five (95) environmental lawsuits in progress in Brazil that ITAIPU is a party (plaintiff or defendant), we highlight those filed against ITAIPU claiming, payment of indemnity and/or imposition of obligations in view of supposed losses arising from the formation of ITAIPU's reservoir and its operations. Most of such lawsuits are filed by neighboring farmers, who allege losses to soy productivity caused by the supposed change in the region's microclimate due to the formation of the reservoir. There is also class lawsuits filed by fishermen colony and the Federal Public Prosecutor's Office alleging losses arising from the reservoir lowering, during dry spell, and, consequently, it claims the payment of indemnity, and cause ITAIPU to be subject to the requirements of the Brazilian environmental legislation.

Out of the five (5) environmental lawsuits in progress in Paraguay, most of them refers to accusations and lawsuits for supposed breaches of Paraguayan environmental Laws, to protect ITAIPU's environmental heritage, consistent in the recovery of environmental preservation and conservation area, which are possibly affected by third party's actions.

## 21. OTHER LIABILITIES

	2020	2019
Agreements (i)	665	900
Contractual retentions	1,339	1,449
Sundry creditors	2,106	2,150
<b>TOTAL</b>	<b>4,110</b>	<b>4,499</b>
<b>Current</b>	<b>2,025</b>	<b>2,373</b>
<b>Non-current</b>	<b>2,085</b>	<b>2,126</b>

- (i) The group of accounts Agreements includes the balances of appeals pending execution by ITAIPU, tied to the Agreements and Terms of Cooperation, entered into with several bodies (Note 9).

## 22. CAPITAL

According to the provisions of the Treaty and in Attachment "A" - Bylaws, the capital of ITAIPU, equivalent to US\$ 100,000 million, mandatory since August 13, 1973, the date of exchange of the Instrument of Ratification of the Treaty, belongs in equal and nontransferable amounts to Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE.



## 23. OPERATING REVENUES

Comprise the revenues from electricity services, which includes: (i) the contracted power; (ii) royalties and reimbursement of management and supervision charges related to the energy additional to that tied to the contracted power; and (iii) remuneration for electricity assignment;

- (i) Contracted power: is the power that ITAIPU will permanently put at the disposal of the purchasing entity, in time periods and on the conditions of the respective electricity service purchase and sale instruments.

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

The bound energy associated with the contracted power is the monthly energy corresponding to the power contracted by each Purchasing Entity, established by ITAIPU for each period of operation and billed in the current contractual instruments.

- (ii) Royalties and reimbursement related to energy additional to that linked to contracted power: correspond to the costs related to the royalties and reimbursement of management and supervision charges (see Annex I - Notes to the Statement of Operating Account) regarding the energy additional to the one tied to the contracted power and to the energy generated by the power greater than that contracted, billed to each purchasing entity, according to the respective consumption.

- (iii) Remuneration for electricity assignment: the energy produced by ITAIPU shall be divided in equal parts between the two countries, each one having its right to acquire the energy not used by the other country for own consumption recognized.

The Party that consumes the energy assigned by the other Party will pay to ITAIPU the amount related to the remuneration for electricity assignment (see Attachment I - Notes to the Statement of Operating Account), which is fully transferred by ITAIPU to the Contracting State that assigned the energy.

The revenue from billing the contracted power in the years 2020 and 2019 totaled US\$ 3,291,012, which corresponds to 145,620 MW of power, at the rate of US\$ 22.60 per kW of monthly contracted power.

The energy tied to the contracted power delivered in 2020 was 67.6 million Mwh and 70.4 million Mwh in same period of 2019.

The total energy supplied to the Purchasing Entities in the year 2020 amounted to 75.9 million MWh and 78.9 million MWh in the same period of 2019.

	2020			2019		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Contracted power	2,884,442	406,570	3,291,012	2,921,649	369,363	3,291,012
Remuneration for electricity assignment	217,973	-	217,973	241,513	-	241,513
Royalties and reimbursement for energy additional to the one tied to the contracted power	9,952	40,008	49,960	9,164	42,506	51,670
<b>Total</b>	<b>3,112,367</b>	<b>446,578</b>	<b>3,558,945</b>	<b>3,172,326</b>	<b>411,869</b>	<b>3,584,195</b>
Billed power - MW	127,630	17,990	145,620	129,277	16,343	145,620
Bound energy delivered - MWh	58,391,513	9,214,008	67,605,521	62,147,644	8,284,979	70,432,623
Energy supplied - MWh	60,045,120	15,861,298	75,906,418	63,627,155	15,266,241	78,893,396

## 24. OPERATING EXPENSES - REMUNERATION AND REIMBURSEMENTS

These include the remuneration and reimbursement as provided in Attachment "C" to the Treaty and its Notes (see Note 15 and Annex I - Notes to Statement of Operating Account), generated in 2020 and 2019, due to the High Contracting Parties: royalties and remuneration for energy assignment, as well as to the Parties (Eletrobras and ANDE): yields from capital and reimbursement for management and supervision charges.

	2020			2019		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
<b>Yields from Capital</b>						
Principal	(6,000)	(6,000)	(12,000)	(6,000)	(6,000)	(12,000)
Dollar adjustment	(19,005)	(19,005)	(38,010)	(19,255)	(19,255)	(38,510)
<b>Subtotal</b>	<b>(25,005)</b>	<b>(25,005)</b>	<b>(50,010)</b>	<b>(25,255)</b>	<b>(25,255)</b>	<b>(50,510)</b>
<b>Royalties</b>						
Principal	(98,678)	(98,678)	(197,356)	(102,562)	(102,562)	(205,124)
Dollar adjustment	(113,435)	(113,435)	(226,870)	(120,546)	(120,546)	(241,092)
<b>Subtotal</b>	<b>(212,113)</b>	<b>(212,113)</b>	<b>(424,226)</b>	<b>(223,108)</b>	<b>(223,108)</b>	<b>(446,216)</b>
<b>Reimbursement of management and supervision charges</b>						
Principal	(7,590)	(7,590)	(15,180)	(7,889)	(7,889)	(15,778)
Dollar adjustment	(8,726)	(8,726)	(17,452)	(9,273)	(9,273)	(18,546)
<b>Subtotal</b>	<b>(16,316)</b>	<b>(16,316)</b>	<b>(32,632)</b>	<b>(17,162)</b>	<b>(17,162)</b>	<b>(34,324)</b>
<b>Remuneration for electricity assignment</b>						
Principal	-	(101,402)	(101,402)	-	(110,988)	(110,988)
Dollar adjustment	-	(116,571)	(116,571)	-	(130,525)	(130,525)
<b>Subtotal</b>	<b>-</b>	<b>(217,973)</b>	<b>(217,973)</b>	<b>-</b>	<b>(241,513)</b>	<b>(241,513)</b>
<b>Total</b>	<b>(253,434)</b>	<b>(471,407)</b>	<b>(724,841)</b>	<b>(265,525)</b>	<b>(507,038)</b>	<b>(772,563)</b>

## 25. OPERATING EXPENSES - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of all expenses attributable to the operation of the joint venture, and represent all operating costs, maintenance and administration, as well as all expenditures with social and environmental programs. The ITAIPU's social and environmental actions are aimed at environmental conservation, improvements in infrastructure, public health, income generation, education, protection and respect to human rights.

	2020	2019
<b>Personnel</b>		
Remunerations	(188,607)	(242,219)
Benefits	(113,745)	(133,643)
Social charges	(28,119)	(35,443)
Indemnities (Note 18)	(39,805)	(57,384)
(Formation) and reversal of provisions	52,966	32,766
	<u>(317,310)</u>	<u>(435,923)</u>
<b>Materials</b>		
Consumption materials	(12,116)	(14,982)
Materials used in social and environmental actions	(1,447)	(1,270)
	<u>(13,563)</u>	<u>(16,252)</u>
<b>Outsourced services</b>		
Services applied on social and environmental actions	(38,194)	(27,638)
Maintenance services	(12,189)	(11,740)
Consultancy and audit	(2,248)	(3,107)
Insurance	(2,841)	(3,225)
Other outsourced services	(35,658)	(42,670)
	<u>(91,130)</u>	<u>(88,380)</u>
<b>Provisions - (Formation) / Reversals</b>		
Related to pension and health plans (Note 19)	(169,756)	(301,516)
Related to lawsuits (Note 20)	18,202	(5,827)
	<u>(151,554)</u>	<u>(307,343)</u>
<b>Other</b>		
Agreements and financial contributions	(295,951)	(145,257)
Other expenses	(32,862)	(15,343)
	<u>(328,813)</u>	<u>(160,600)</u>
<b>TOTAL</b>	<u><u>(902,370)</u></u>	<u><u>(1,008,498)</u></u>
<b>Reconciliation - Expenses per function</b>		
Operation, maintenance, and management	(613,731)	(837,555)
Social and environmental responsibility programs	(288,639)	(170,943)
	<u><u>(902,370)</u></u>	<u><u>(1,008,498)</u></u>

## 26. OTHER REVENUES (EXPENSES)

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

	2020	2019
<b>Sundry revenues</b>		
Disposals	406	2,023
Real estate occupancy rates	1,060	975
Interest, contractual fines and other	800	1,310
	<u>2,266</u>	<u>4,308</u>
<b>Sundry expenses</b>		
Write-off of assets and facilities	(8,827)	(5,665)
Estimated credit losses (Note 6)	(15,572)	(6,752)
Bank and fine expenses	(11)	(122)
Other expenses	(3)	(1)
	<u>(24,413)</u>	<u>(12,540)</u>
	<u>(22,147)</u>	<u>(8,232)</u>

## 27. FINANCIAL INCOME (LOSS)

	2020	2019
<b>Financial income</b>		
Income from interest earning bank deposits (Note 5 and Note 29)	20,754	31,892
Restatement of judicial deposits (Note 10)	1,492	1,517
Late-payment interest on billing (Note 6)	7,878	6,834
Inflation adjustments (Note 27.1)	206,615	-
Other financial income	131	182
	<u>236,870</u>	<u>40,425</u>
<b>Financial expenses</b>		
Financial charges on loans and financing (Note 14)	(312,319)	(429,718)
Inflation adjustments (Note 27.1)	-	117,542
Late-payment interest on remuneration and reimbursements (Note 15)	(85)	(18)
	<u>(312,404)</u>	<u>(312,194)</u>
	<u>(75,534)</u>	<u>(271,769)</u>

## 27.1 FINANCIAL EXPENSES - INFLATION ADJUSTMENTS

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

The inflation adjustments arising from exchange-rate changes and monetary adjustments are recorded in asset and liability accounts, according to the principal transaction account, and in specific profit or loss accounts, according to the following chart:

	2020	2019
<b>Loans and financing</b>		
CAJUBI	5,444	7,628
FIBRA	27,032	1,033
	<b>32,476</b>	<b>8,661</b>
<b>Other exchange-rate changes</b>		
Current assets	(86,534)	(16,749)
Non-current assets	(12,259)	(2,373)
Current liabilities	11,918	2,605
Non-current liabilities	261,014	125,398
	<b>174,139</b>	<b>108,881</b>
	<b>206,615</b>	<b>117,542</b>

## 28. INSURANCE

The main property, plant and equipment items in service are insured in accordance with the insurance policy, as approved by the Entity's Board of Directors in 1992, which aims to guarantee the following coverages:

- a) Insurance for all goods installed in Hydroelectric Power Plant, with the coverage type "All Risks" with an insured amount of US\$ 2,390,450.
- b) Operating civil liability insurance for the Hydroelectric Power Plant, with the insured amount of US\$ 20,000.

In addition to the above coverage, ITAIPU has the insurance necessary to cover other risks not directly related to the operation of the Hydroelectric Power Plant, which is contracted according to the location of the risk and market conditions of the country it is located in, such as: i) fire to its administrative facilities; ii) civil and hull liability for vehicles; iii) personal accidents with tourists visiting ITAIPU; iv) Management civil liability; v) hull cover, civil liability, aircraft crew and passengers; and vi) group life insurance for its employees, as presented in the table below:

Description	Coverages
i) Fire	US\$ 210,161
ii) Vehicles	Civil and hull liability - US\$ 108,188
iii) Personal Tourists Accident	Death, disability, medical and hospital expenses.
iv) Management civil liability - D&O	US\$ 10,000
v) Aircrafts	US\$ 6,022
vi) Group life	To the employee: 30 basic salaries, limited to 15 salaries at the highest level of the ITAIPU's salary scale. For the spouse: 50% of coverage, limited to 5 salaries at the highest level of the salary scale.

## 29. FINANCIAL RISK MANAGEMENT

### 1. Financial risk factors

Itaipu Binacional's activities expose it to some financial risks, which management is performed by the financial area, according to the policies which are internally approved and according to the Treaty for establishment of the Entity and its respective Attachments.

#### a) Market risk

Market risk is understood as the potential loss that can be caused due to the difference in the prices charged in the market or changes in the so-called risk factors, such as: foreign exchange and interest rate risk.

##### (i) Exchange risk

Foreign exchange risk is conceived as the potential loss that can be incurred due to exchange-rate changes of a specific currency, considering the exposure in each currency.

ITAIPU has loan and financing contracts in US dollars, and has commitments to pay royalties, yields from capital, and reimbursement of management and supervision charges, as well as billing electricity services in the same currency. On the other hand, the inflows and disbursements are made in the currency corresponding to each country, guaranis for Paraguay and reais for Brazil, being also indexed to dollar equivalents (Note 3.a).

The management of this foreign exchange risk is provided in Attachment "C" to the ITAIPU Treaty, which establishes that the annual revenue from electricity service provision shall consider the cost of service established therein. This cost comprises, among other things, the items mentioned in the previous paragraph, allowing that the exposure in foreign currency is fully offset by revenues from operations calculated based on an annual rate per kW of contracted power in US dollar.

##### (ii) Interest rate risk

The risk associated to interest rate is the loss related to the change in the profitability of the financial decisions taken, as a consequence of the changes in the market's interest rates.



ITAIPU has a loan indexed to LIBOR, this being one of the instruments with variable rate of the portfolio, without representing significant annual disbursements in the interest concept. In relation to other obligations, particularly in loan contract adjusted by the INPC and in the instruments of recognition of social security debits adjusted by the IPCA in Brazil and IPC in Paraguay, added by actuarial discount rates of benefit plans, they do not represent a significant share of the total debt balance.

The interest earning bank deposits are made only in fixed income, in modalities considered to have low risk exposure and aiming at maximizing, over time, the return on cash and banks, the dilution of liquidity risks (when referring to private financial institution), according to the internal standards and procedures.

b) Credit risk

Credit risk may be understood as the uncertainty about the net future inflows, derived from the default by one party of its obligations. The credit exposure to the clients Eletrobras and ANDE is considered low risk, because of the ITAIPU Treaty.

The financial institutions in which ITAIPU's funds are held are preferably the official ones of both countries. Private financial institutions may be submitted to the Executive Board's approval, upon justification provided by the CFO of the respective margin, contemplating, among others, analysis of the credit risk assigned by renowned rating agency, analysis of shareholders' equity (comparatively to the other financial institutions of the country), solvency, liquidity, besides the basket of product and service offerings.

c) Liquidity risk

Liquidity risk is the likelihood that the payment commitments may not be fulfilled, or that, to fulfill them, it is necessary to obtain funds on unfavorable conditions. The forecast of cash flow is carried out by Financial Department which monitors the continuous forecasts to comply with liquidity requirements and to ensure that ITAIPU will have enough cash to satisfy operating needs.

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

The undiscounted financial liabilities, with due dates of the remaining contracts fall in 2020 and 2019, are detailed in the following table:

	<u>Less than one 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>				
Loans and financing	2,050,785	1,432,595	311,717	196,005
Remuneration and reimbursements	525,188	-	-	-
Suppliers	74,992	-	-	-
<b>December 31, 2019</b>				
Loans and financing	2,064,879	2,060,908	1,747,387	280,225
Remuneration and reimbursements	554,126	-	-	-
Suppliers	41,678	-	-	-

## 2. Financial instruments

Financial assets held:

- They include bank deposits and other short-term cash investments with high liquidity, promptly translated into a known sum of cash. These investments are held-to-maturity and correspond to non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity (Notes 3.c and 5).
- Accounts receivable are non-derivative financial assets with fixed payments, but not quoted on any active market. First-time measurement is calculated at value of electricity services provision (Notes 3.d and 6).

Financial liabilities maintained:

- They include loans and financing, suppliers and other accounts payable, which are measured at the amortized cost using the effective interest rate method. Interest, foreign exchange gains and losses are recognized in the statement of income (Notes 14, 15 and 16).

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

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

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

In Brazil, the interest earning bank deposits are made in reais, obtaining an effective weighted average yield of 2.65% p.a. in the year 2020 and 5.97% p.a. in 2019, all of them being in cash, with capitalization, liquidity and credit of daily yield.

In Paraguay, the interest earning bank deposits are made in guaranis and dollars. The effective weighted average yield of investments in guaranis for the year 2020 was 3.22% p.a. and 3.07% p.a. in 2019; for investments in dollars in the year 2020 was 0.57% p.a. and 3.35% p.a. in 2019. The financial instruments used to obtain the aforementioned returns for the year 2020, both in guaranis and in US dollars, were demand savings accounts, with monthly and quarterly income. Unlike the previous year, there were no applications in time deposit certificates (CDA's), which is why there is a decrease in the rate of return in US dollars. This was mainly due to the need for liquidity in the face of the economic context and the low levels of interest rates offered by the banks in the market.

### 30. RELATED PARTIES

The most significant transactions with related parties carried out by the Entity in 2020 and 2019, include provision of electricity services, loans obtained, obligations under Annex “C” of the Treaty of ITAIPU and obligations related to pension funds, as shown in the following:

		2020				
	Not e	ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
BALANCE SHEET						
ASSETS						
Trade accounts receivable	6	750,529	174,271	-	-	924,800
Agreements	8	-	5,699	-	-	5,699
Total		750,529	179,970	-	-	930,499
LIABILITEIS						
Loans and financing	14	(808,296)	-	(103,152)	(119,257)	(1,030,705)
Remuneration and reimbursements	15	(36,472)	(36,472)	-	-	(72,944)
Pension contributions	17	-	-	(1,746)	(5,705)	(7,451)
Actuarial obligations	19	-	-	(57,029)	(903,334)	(960,363)
Total		(844,768)	(36,472)	(161,927)	(1,028,296)	(2,071,463)
INCOME (LOSS)						
REVENUES						
Revenue from rendering of services	23	3,112,367	446,578	-	-	3,558,945
Financial revenues		6,708	1,295	-	-	8,003
Total		3,119,075	447,873	-	-	3,566,948
EXPENSES						
Financial expenses		(78,645)	-	(11,227)	(9,384)	(99,256)
Remuneration and reimbursements	24	(41,321)	(41,321)	-	-	(82,642)
Pension contributions		-	-	(14,126)	(23,868)	(37,994)
Actuarial expenses	19	-	-	48,144	(169,147)	(121,003)
Total		(119,966)	(41,321)	22,791	(202,399)	(340,895)

		2019				
	Note	ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
BALANCE SHEET						
ASSETS						
Trade accounts receivable	6	886,216	117,918	-	-	1,004,134
Agreements	8	-	8,433	-	-	8,433
Total		886,216	126,351	-	-	1,012,567
LIABILITEIS						
Loans and financing	14	(1,449,803)	-	(142,018)	(142,030)	(1,733,851)
Remuneration and reimbursements	15	(37,608)	(37,608)	-	-	(75,216)
Pension contributions	17	-	-	(2,248)	(7,217)	(9,465)
Actuarial obligations	19	-	-	(135,597)	(790,531)	(926,128)
Total		(1,487,411)	(37,608)	(279,863)	(939,778)	(2,744,660)
INCOME (LOSS)						
REVENUES						
Revenue from rendering of services	23	3,172,326	411,869	-	-	3,584,195
Financial revenues		6,832	172	-	-	7,004
Total		3,179,158	412,041	-	-	3,591,199
EXPENSES						
Financial expenses		(121,163)	-	(13,815)	(10,723)	(145,701)
Remuneration and reimbursements	24	(42,417)	(42,417)	-	-	(84,834)
Pension contributions		-	-	(16,156)	(27,388)	(43,544)
Actuarial expenses	19	-	-	(96,175)	(122,753)	(218,928)
Total		(163,580)	(42,417)	(126,146)	(160,864)	(493,007)

Besides the above-mentioned transactions, ITAIPU has parties related to the Itaipu Health Foundation, Tesai Health Foundation, the ITAIPU Technological Park Foundation Brazil and ITAIPU Technological Park Foundation Paraguay, due to its significant influence over the management of these entities and as it also carries out financial transactions, such as the transfer of funds for administrative costs and investments, with these foundations.

### **Itaiguapy Health Foundation and Tesai Health Foundation**

The Ministro Costa Cavalcanti Hospital - HMCC, in Brazil, and the ITAIPU Margin Right Hospital, in Paraguay, were originally built by Itaipu Binacional to serve only the workers contracted for the construction and operation of the Hydroelectric Power Plant.

Aiming to optimize the use of these hospitals and in accordance with its regional insertion policy, ITAIPU decided to extend hospital services to the communities in the region. This was initiated in November 1994, through the Board of Directors Resolution RCA Number 019/94, the Itaiguapy Health Foundation, a private non-profit organization, which is responsible for managing and operating the Ministro Costa Cavalcanti Hospital - HMCC, in Brazil. Subsequently, in March 1997, through the Board of Directors Resolution Number 004/97 RCA, the Tesai Health Foundation was established, a private non-profit organization, which is responsible for managing and operating the ITAIPU Margin Right Hospital, in Paraguay.

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

In 2005, in Brazil, through the Board of Directors Resolution Number 010/05, and in 2008 in Paraguay through the Board of Directors Resolution RCA 035/08, the ITAIPU Technology Park Foundations were created, in both countries, whose mission is to understand and transform the Iguazu falls region, coordinating and promoting actions aimed at economic, scientific and technological development with respect for humans and emphasis on solutions that are focused on water, energy and tourism.

The purpose of these Foundations is to maintain and operate ITAIPU Technology Park, contributing to regional development, in a sustainable manner, through activities that foster institutional, scientific, technological and innovation development, the dissemination of knowledge, professional training, and the generation of companies, interacting, for these purposes, with public and private, academic and research, development and production entities.

The financial transactions made between ITAIPU and these Foundations, in the years 2020 and 2019, are shown below:

	Assets / (Liabilities)		Revenues / (Expenses)	
	2020	2019	2020	2019
<b>1. Services engaged</b>				
a) Itaipu Health Foundation	4,983	991	(5,777)	(9,664)
a) Tesai Health Foundation	(1,075)	2,952	(21,278)	(25,451)
b) ITAIPU Technological Park Foundation BR	(4,922)	(592)	(9,544)	(2,225)
b) ITAIPU Technological Park Foundation PY	-	-	(191)	(1,800)
<b>2. Agreements and financial contributions</b>				
a) Itaipu Health Foundation	(4,811)	(5,450)	(19,422)	(17,673)
a) Tesai Health Foundation	(3,078)	21	(13,326)	(13,519)
b) ITAIPU Technological Park Foundation BR	(14,637)	(1,618)	(24,868)	(5,773)
b) ITAIPU Technological Park Foundation PY	(933)	-	(5,858)	(6,173)
<b>Total</b>				
a) Itaipu Health Foundation	172	(4,459)	(25,199)	(27,337)
a) Tesai Health Foundation	(4,153)	2,973	(34,604)	(38,970)
b) ITAIPU Technological Park Foundation BR	(19,559)	(2,210)	(34,412)	(7,998)
b) ITAIPU Technological Park Foundation PY	(933)	-	(6,049)	(7,973)
<b>Total</b>	<b>(24,473)</b>	<b>(3,696)</b>	<b>(100,264)</b>	<b>(82,278)</b>

The amounts presented in Assets refer to the advances made by ITAIPU to the Foundations, written-off when the engaged services are rendered, and those shown in Liabilities refer accounts payable arising from the signed agreements.

The disbursements made by ITAIPU are recorded as expense according to the expenditure's nature: expenses with health care plan, operating agreements, or social and environmental expenditures.

#### 1. Services Engaged

##### a) Health Foundations

Refer to the contracting of medical and hospital services, such as: medical and hospital expenses of employees and their dependents, provision of 24-hour emergency services, pre-employment and termination medical examinations, consulting in nutrition, among other services of similar nature.

b) Technology Park Foundations

Refer to technical and financial cooperation agreements for performance of specialized services developed from research, development and innovation projects to ITAIPU.

2. Agreements and financial contributions

a) Health Foundations

ITAIPU Binacional allocates financial funds to support social actions developed by Health Foundations, such as: service to needy communities, in Paraguay, and service to Single Healthcare System (SUS) users of the nine municipalities of the 9<sup>th</sup> Regional Health Department of the State of Paraná, in Brazil.

The main services provided by Health Foundations to the community are: outpatient consultations, Emergency and First Aid services, internments, surgeries, childbirth and medical and hospital care programs.

b) Technology Park Foundations

The financial contributions by ITAIPU, to support the costs of infrastructure support and back-office to the Foundation's operating processes.

Agreements signed between ITAIPU and Technology Park Foundation for the performance by the Foundations of actions that result in products, services and/or knowledge. Currently, Technology Parks have supported ITAIPU's organization units in the development of projects and researches in the areas of electric mobility, renewable energy, plant tests and automation, environmental management, and social and economic development.

**Remuneration of key management personnel**

The remunerations, charges and benefits related to Key Management Personnel are presented as follows:

	2020	2019
Remuneration of board members and officers	(6,458)	(6,645)
Social charges	(506)	(652)
Benefits	(930)	(1,133)
	<b>(7,894)</b>	<b>(8,430)</b>



Since the beginning of ITAIPU's operation, opinions and official statements from several public bodies (General Advisory of the Republic of Brazil, after the Federal Attorney-General of Brazil, L-208, FC-27, GQ-16, among others) and renowned Brazilian jurists (among them, Miguel Reale, creator of the ITAIPU Treaty) attested to the legal and factual unfeasibility of having unilateral inspection, by an external control body, either Brazilian or Paraguayan, over the Entity. Considering the particularities of its operations, mainly due to the inexistence of management acts or national accounts (only Brazilian or only Paraguayan) and the inexistence in the Treaty of any provision about it, which would imply an eventual inspection related to breach of the sovereignty of the other Country, and principles and the constitutional and international rules to which Brazil and Paraguay are subject. Thus, for the TCU and Paraguayan control bodies to unilaterally or jointly work, diplomatic negotiations between both High Contracting Parties shall be conducted.

The Federal Court of Auditors has already examined the issue thoroughly and technically through the Court's Commission, whose technical conclusions were accepted in Decision No. 279/95-Plenary (TC 003.064/93-0). The feasibility, both legal and technical, was established, as well as the need for diplomatic understandings to enable inspection by external bodies. There was no legal or factual change in ITAIPU's model or operations after this manifestation by Court of Accounts.

With the Brazilian Constitution of 1988, art. 71, item V, it was sedimented that the TCU's inspection could only refer to "Brazilian accounts" (which in the case of ITAIPU there is none) and "under the terms of the organization treaty" (which remits again to the need for prior diplomatic understandings, since the admittance document is silent). A similar dynamic was set out in the 1992 Paraguayan Constitution.

Despite of this fact, in 2009, the Ruling 2918/2009, which was not able to produce effects, market the TCU's attempt to change such understanding, no change to the legal or factual status having been made applicable to Binacional.

The Ministry of Foreign Affairs of Brazil and the Ministry of Mines and Energy of Brazil were called to issue statements before the examination by the TCU plenary session of the vote of the reporting judge in the Account Taking No. 009.799/2006-1, decided in the aforementioned ruling. The Parties reiterated the Entity's legal and administrative characteristics, but admitted the possibility of new diplomatic understandings with Paraguay, aiming to add other external control mechanisms over ITAIPU's binational accounts, in the manner that it would be agreed in its own diplomatic instruments.

Considering this decision in 2009, on January 28, 2015, Agreement No. 88/2015-Plenary (Survey Report 012.897/2011-6) was issued, in which TCU, unanimously made recommendations and determinations to Eletrobras. It instructed the Brazilian state-owned company to point out actions to improve its control and governance over ITAIPU, in addition to adopting management and other measures. Based on this decision, two notes deserve to be made.

The first addresses the Court's determination that SecexEstat - (the Secretariat for External Control of Indirect Administration in Rio de Janeiro, the TCU technical unit) - carry out the direct inspection of ITAIPU's national accounts. Due to the lack of material conditions (inexistence of accounts of this nature), this action was never carried out.

The second concerns inaccuracies of the decision when compared with the legal nature of ITAIPU. Knowing that the Binational is shared, in equal parts, between Eletrobras and ANDE, there is no need to speak of a "Brazilian parent company", as there is no majority party. Nor do "Brazilian accounts" of Entity exist, once the business plan, budget, accounting, audit plan, etc. are single and binational, and the Entity is managed by a Board of Directors and an Executive Board, which are single bodies whose seats are occupied by equal number of representatives appointed by the Governments of Brazil and Paraguay, whose votes have exactly the same value.

On June 8, 2016, Decision No. 1470/2016 - Plenary was issued (Monitoring 026.092/2015-8), in which some of the recommendations made to Eletrobras by Decision No. 88/2015-Plenary were considered by TCU to be met and others are still under analysis. The parties consider that, in order to meet the recommendations made unilaterally by TCU to ITAIPU, it would be imperative that the entity had national accounts (which does not happen) and that the Treaty that constituted it addressed the matter (which also does not happen), reason why the conclusion once again is that there is a need for negotiations between the High Contracting Parties, through its own diplomatic instruments, aimed at creating some other additional form of control. The issue has been addressed using the diplomacy of the two countries towards the formation of a Binational Account Commission (In 2019, the Brazilian and Paraguayan Ministries of Foreign Affairs received minutes from the General Directors through which agreement was expressed that the company be inspected by external control. At the moment, the chancelleries are expected to resume the activities of the Binational Working Group).

Later, in specific procedures, TCU again signaled its intention to unilaterally inspect ITAIPU's "Brazilian accounts." As a precaution, the Entity submitted these manifestations of the Court to the Supreme Federal Court, under the scope of the Original Civil Action (ACO) No. 1905, which had as its object the interpretation of article 71, V, of the Federal Constitution and the analysis of the TCU competence for exercising external control at ITAIPU. It should be emphasized that in this ACO, which has two statements of Attorney General, both in the sense that, TCU does not have jurisdiction to unilaterally inspect ITAIPU (in view of the lack of "Brazilian accounts" and the lack of diplomatic understanding that authorizes it), which lead the Judge-Rapporteur to order the suspension of any measure in progress, even preparatory ones, aiming at a supposed unilateral inspection of the Brazilian accounts of ITAIPU. The Republic of Paraguay, *amicus curiae* in this ACO, also issued a statement against the unilateral work of the Federal Court of Auditors (TCU).

Recently, in a Decision published on September 24, 2020, the Federal Supreme Court unanimously dismissed the requests made at the beginning of ACO 1905, confirming the *“supranational nature of the hydroelectric power plant, which precludes any attempt to have it as a member of the Brazilian Public Administration”* and, therefore, the lack of responsibility of the Federal Court of Auditors to unilaterally supervise its acts, since *“Itaipu Binacional is a single, indivisible entity”*. Any inspection by the Federal Audit Court will take place under the terms agreed with the Republic of Paraguay and materialized in an instrument diplomatically signed between the two sovereign states”.

In short: a) since the 1970s, the question regarding the possibility of unilateral inspection by TCU at ITAIPU was raised, always prevailing the position of its legal and factual unfeasibility (single company, with inseparable management, budget, accounting, etc.); b) the recent plenary decision of the Supreme Federal Court, issued in ACO 1905, unanimously ends the discussion, confirming the position of the lack of attribution of the Federal Audit Court to unilaterally inspect the acts of ITAIPU, as one and indivisible entity, supranational in nature. Any inspection by the Federal Audit Court should take place under the terms agreed between the two Sovereign States, signatory to the Itaipu Treaty, to be materialized in a diplomatically signed instrument; c) there are no “national accounts” in ITAIPU and the ITAIPU Treaty - or, in any case, any diplomatic instrument - does not provide for the TCU inspection; c) the rule governing the issue is article 71, V, of the Federal Constitution, and that the conditions established in such rule for performing an inspection without prior diplomatic understanding, are not present: (i) ITAIPU does not have “national accounts”, and (ii) the ITAIPU Treaty does not provide for the conditions under which any inspection on “national accounts” should occur; d) the creation, by the Ministries of Foreign Affairs of the High Contracting Parties, of the Binational Accounts Commission, with the support in the Executive Board of the entity; e) there is a final and unappealable decision at the Supreme Court of Justice of Paraguay (- *Acuerdo y Sentencia 280/2011*) which essentially concludes in the same sense: previous understandings and a diplomatic instrument are needed to create an additional external control mechanism for ITAIPU, which must be binational and joint; f) ITAIPU has an active Corporate Governance structure, with the advantage of always being binational, including joint internal audits (Brazilian-Paraguayan), binational Ethics Committee and binational Planning System; Binational Accounting and Budget System, Ombudsman/Defender, Permanent group for improving information access, Compliance Advisory in both margins, Transparency Standard and Provision of information by ITAIPU (Left Margin), among many other mechanisms, besides external tools and controls performed, as provided in the Treaty, by Eletrobras and ANDE, jointly, and by the Representatives of the Ministries of Foreign Affairs who attend the meetings of ITAIPU’s Board of Directors and external audits performed by conceived Brazilian and Paraguayan companies.

## 32. SUBSEQUENT EVENTS

### Effects of Coronavirus (COVID-19) on the financial statements

Due to the new Coronavirus (COVID-19) pandemic, announced by the World Health Organization (WHO), ITAIPU informs that continues monitoring the situation and adopting necessary measures to preserve the health of its employees and mitigate the effects of the virus spread in the company and in its area of influence. The initiatives are in line with WHO recommendations, the protocols of the Ministry of Health of Brazil and Paraguay, and aim to contribute to the efforts of the population and the authorities of both countries.

ITAIPU assembled a Binational Technical Committee to propose coordination actions within the company to fight the COVID-19 disease, whose objectives are:

- a. Preserve the health of workers and other publics who frequent the Entity's areas.
- b. Guarantee CHI's electricity generation activities.
- c. Adopt preventive measures to prevent massive spread of the disease.
- d. Establish a rapid service protocol for cases verified within ITAIPU's facilities.

Each margin, based on what the health protocols of their respective countries recommend, has adopted measures to prevent and fight COVID-19.

Management assessed the different business risks to which the Entity could be exposed, such as the measures taken by both governments and possible economic events related to accounting estimates and measurement of its assets and liabilities that could be affected. The main impact of COVID-19 observed in the management of the Entity's funds is due to the default in the receipt of invoices for the provision of electricity services from ANDE (Note 6). This situation affected the level of the Entity's financial cash and cash equivalents. However, without currently compromising the faithful fulfillment of obligations within the established deadlines.

Management understands that there are no other relevant or material impacts that may modify the measurement of its assets and liabilities presented in its financial statements as of December 31, 2020.

ITAIPU will continue to assess the impacts and risks related to the Coronavirus pandemic, making the necessary disclosures.

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**STATEMENT OF OPERATING ACCOUNT**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In thousands of US Dollars)

	<u>12/31/2020</u>	<u>12/31/2019</u>
<b>REVENUES</b>		
Revenues from rendering		
of electric power services:		
Contracted power	3,291,012	3,291,012
Brazilian purchasing entity	2,884,442	2,921,649
Paraguayan purchasing entity	406,570	369,363
Remuneration for electricity assignment	217,973	241,513
Royalties and reimbursement for energy additional to the one tied to the contracted power	49,960	51,670
<b>Total revenues</b>	<u><b>3,558,945</b></u>	<u><b>3,584,195</b></u>
<b>LESS:</b>		
<b>REMUNERATION FOR ELECTRICITY ASSIGNMENT</b>	<u><b>(217,973)</b></u>	<u><b>(241,513)</b></u>
<b>COST OF ELECTRICITY SERVICE</b>		
Remuneration and reimbursement to the High Contracting Parties and the Parties that constitute ITAIPU, as follows:		
Yields from capital	(50,010)	(50,510)
Electricity related to contracted power		
Royalties	(377,834)	(398,236)
Reimbursement of management and supervision charges	(29,064)	(30,634)
	<u>(406,898)</u>	<u>(428,870)</u>
Additional electricity related to contracted power		
Royalties	(46,392)	(47,980)
Reimbursement of management and supervision charges	(3,568)	(3,690)
	<u>(49,960)</u>	<u>(51,670)</u>
	<u><b>(506,868)</b></u>	<u><b>(531,050)</b></u>
<b>Amortization of loans and financing</b>	<u><b>(1,745,339)</b></u>	<u><b>(1,639,119)</b></u>
<b>Financial charges of loans and financing</b>	<u><b>(313,208)</b></u>	<u><b>(430,224)</b></u>
<b>Exploration expenses</b>		
Personnel	(366,090)	(467,260)
Material and equipment	(28,413)	(30,122)
Outsourced services	(101,185)	(98,967)
Other exploration expenses	(306,953)	(156,892)
	<u><b>(802,641)</b></u>	<u><b>(753,241)</b></u>
<b>Total cost of electricity service</b>	<u><b>(3,368,056)</b></u>	<u><b>(3,353,634)</b></u>
<b>OPERATING ACCOUNT RESULTS FOR THE PERIOD</b>	<u><b>(27,084)</b></u>	<u><b>(10,952)</b></u>
<b>Prior-year balance</b>	<b>124,332</b>	<b>135,284</b>
<b>RETAINED EARNINGS FROM OPERATING ACCOUNT</b>	<u><u><b>97,248</b></u></u>	<u><u><b>124,332</b></u></u>

**NOTES TO THE STATEMENT OF OPERATING ACCOUNT****DECEMBER 31, 2020 AND 2019**

Attachment "C" of the Treaty of ITAIPU, which contains financial bases and provision of electricity services, states that the Operating Account as an annual balance sheet between revenue and service cost.

**a) Revenue**

According to article IV of Attachment "C" to the Treaty, ITAIPU's annual revenue, from electricity service contracts, shall be equal, in each year, to the cost of the service established in such Attachment.

The revenue derived from electricity services includes the billing of the contracted power, the royalties, and reimbursement of management and supervision charges related to the energy additional to the one tied to the contracted power, and the remuneration for electricity assignment.

The contracted power is billed based on the rate, established in ITAIPU as unit cost of electricity service. The Board of Directors of ITAIPU fix the unit cost of the electricity service as per the conditions set out in the Entity's Treaty, Attachments and other Official Acts.

The royalties and the reimbursement of management and supervision charges related to the additional electricity of the contracted power, as well as the remuneration for electricity assignment are billed according to cost, therefore, for ITAIPU, they respectively show the same amount in revenue and cost.

**b) Cost of electricity service**

According to item III of Attachment "C" to the Treaty, the ITAIPU's Electricity Service Cost comprises the following annual installments:

- 1) The amount required for payment, to the High Contracting Parties (Federative Republic of Brazil and Republic of Paraguay) and to the Parties comprising ITAIPU (Eletrobras and ANDE), of the following remunerations and reimbursements:
  - i) Yields from Capital: yield of 12% per annum on the participation of Centrais Elétricas Brasileiras S.A. - Eletrobras and the Administración Nacional de Electricidad - ANDE of the ITAIPU's paid capital.

- ii) Royalties: calculated at the equivalent of US\$ 650 per gigawatt hours generated and measured in Electric Power Plant. On an annual basis, this amount may not be lower than US\$ 18 million, at the rate of half to each High Contracting Party.
- iii) Reimbursement of Management and Supervision Charges: calculated at the equivalent of US\$ 50 per gigawatt hours generated and measured in Hydroelectric Power Plant, in equal parts to Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE.
- iv) Remuneration for electricity assignment: remuneration to one of the High Contracting Parties, equivalent to US\$ 300 per gigawatt hours granted to the other High Contracting Party, to be exclusively paid by the High Party that consumes the granted electricity.

As of January 2001, the amounts of yields from capital were restated as the formula established in Note 10, exchanged between the Brazilian and Paraguayan Ministries of Foreign Affairs on November 13, 2000, according to the following adjustment factors:

<u>Year</u>	<u>Adjustment factor*</u>
2001	2.88105
2002	2.87653
2003	2.97528
2004	3.09679
2005	3.27196
2006	3.40917
2007	3.51997
2008	3.75019
2009	3.58511
2010	3.72859
2011	3.93029
2012	3.97306
2013	4.01223
2014	4.05879
2015	3.92165
2016	3.91005
2017	4.04035
2018	4.18752
2019	4.20262
2020	4.16524

(\*) Base: annual average inflation rate observed in the United States, using the indexes: "Industrial Goods" and "Consumer Prices" published in the journal of "International Financial Statistics", updated since 1975.

The values of the royalties, the Reimbursement of Management and Supervision Charges and remuneration for electricity assignment, were multiplied, from the financial year of 1992, as Reversal Note 3, exchanged between Brazilian and Paraguayan Ministries of Foreign Affairs, on January 28, 1986, by a factor of 4 (four whole).

From the year 2006, according to the agreement by Diplomatic Notes exchanged between the Government of the Federative Republic of Brazil and the Government of the Republic of Paraguay, on December 8, 2005, the Remuneration for Electricity Assignment started to be multiplied by the factor 5.10 (five point ten).

From May 14, 2011, as agreed by the Reverses Notes signed, on September 1, 2009, between the Government of the Federative Republic of Brazil, promulgated by Decree Number 7,506 of June 27, 2011, and the Government of the Republic Paraguay, approved by Law Number 3,923, of November 18, 2009, the multiplying factor of Remuneration for electricity assignment went from 5.10 (five whole and one-tenth) to 15.30 (fifteen whole and three-tenths).

The amounts of Royalties, Reimbursement of Management and Supervision Charges, and Remuneration for electricity assignment started to be adjusted according to the formula established in the Reversal Note 3 and following Reverses Notes, mentioned in the above paragraphs, according to the following chart:

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



Year	Original factor (A)	Adjustment factor ( B ) *	Adjusted factor (A x B)
2007	4.00	1.81921	7.27684
2007	5.10	1.81921	9.27797
2008	4.00	1.94133	7.76534
2008	5.10	1.94133	9.90080
2009	4.00	1.85365	7.41460
2009	5.10	1.85365	9.45362
2010	4.00	1.93060	7.72240
2010	5.10	1.93060	9.84606
2011	4.00	2.03768	8.15072
Jan-May 2011	5.10	2.03768	10.39217
May-Dec 2011	15.30	2.03768	31.17650
2012	4.00	2.05866	8.23464
2012	15.30	2.05866	31.49750
2013	4.00	2.07836	8.31344
2013	15.30	2.07836	31.79891
2014	4.00	2.10189	8.40756
2014	15.30	2.10189	32.15892
2015	4.00	2.02638	8.10552
2015	15.30	2.02638	31.00361
2016	4.00	2.01838	8.07352
2016	15.30	2.01838	30.88121
2017	4.00	2.08721	8.34884
2017	15.30	2.08721	31.93431
2018	4.00	2.16483	8.65932
2018	15.30	2.16483	33.12190
2019	4.00	2.17066	8.68264
2019	15.30	2.17066	33.21110
2020	4.00	2.14857	8.59428
2020	15.30	2.14857	32.87312

(\*) Base: annual average inflation rate observed in the United States, using the indexes: "Industrial Goods" and "Consumer Prices" published in the journal of "International Financial Statistics", updated since 1986.

2) The amount required for paying the financial charges of granted loans, understood in such Attachment as all interests, fees, and commissions pertinent to the contracted loans.

3) The amount required for paying the amortization of the granted loans.

From the financial year of 2012, amortizations and payments of charges on loans obtained from CAJUBI are not included in the Operating Account, relating to contracts PIB 2010-10-0001 and PIB 2012-10-0001, as these amounts are reimbursed to ITAIPU by

ANDE, as provided in addenda No. 2 and 6 of the Agreement 5808/99 (see Note 8.ii of Notes to Financial Statements).

From the financial year of 2014, amortizations and payments of charges of Banco ITAU Paraguay are not included in the Operating Account, contracted for the execution of works and services to strengthen the electrical system in the Department of Alto Parana, Paraguay as Executive Board Resolution Number RDE-076/14 and Board of Directors' Resolution Number RCA-013/14 in April 2016, this contract was settled.

- 4) The required amount to cover exploration expenses, understood in this Attachment as all expenses attributable to the rendering of electricity services, including direct expenditures of operation and maintenance, in addition to replacements caused by normal wear, management and general expenditures, in addition to insurance against risks of ITAIPU's assets and facilities.
- 5) The amount of the balance, plus or minus the balance of Operating Account for the previous year.

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**AUTHORIZATION FOR ISSUE**  
**FINANCIAL STATEMENTS AND ATTACHMENT I**  
**DECEMBER 31, 2020 AND 2019**

-----  
Joaquim Silva e Luna  
Brazilian Director-General

-----  
Federico A. González  
Acting Paraguayan General Director

-----  
Celso Villar Torino  
Executive Technical Director

-----  
Luis Gilberto Valdez González  
Technical Director

-----  
Mariana Favoreto Thiele  
Legal Director

-----  
Iris Magnolia Mendoza Balmaceda  
Executive Legal Director

-----  
Paulo Roberto da Silva Xavier  
Administrative Director

-----  
Alberto Cabreza Villalba  
Executive Administrative Director

-----  
Anatalicio Ridsen Junior  
Executive Financial Director

-----  
Fabián Domínguez  
Financial Director

-----  
Luiz Felipe Kraemer Carbonell  
Coordination Director

-----  
Miguel Ángel Gómez Acosta  
Executive Director of Coordination

-----  
Simone Rogoginski  
Assistant Superintendent of Budget and  
Accounting

-----  
Mirtha Beatriz Caballero Borges  
Superintendent of Budget and Accounting

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Emerson Cardoso Teotonio  
Accountant - CRC PR-064802/O-4

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Celia Cristina Martinez Colman  
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Enrollment N° C 732 Council of Public  
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## Independent auditors' report on financial statements

To the Board Members and Directors of  
**Itaipu Binacional**

### Opinion

We have examined the financial statements of Itaipu Binacional ("Entity"), which comprise the balance sheet as of December 31, 2020 and the related statements of income, statement of changes in financial position and statement of operating account for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of Itaipu Binacional on December 31, 2020, and of its performance, operations and changes in financial position for the year then ended, as per specific provisions in the Entity's constitutional Treaty and its attachments dated April 26, 1973.

### Basis for opinion

We conducted our audit in accordance with Brazilian, Paraguayan and international standards on auditing. Our responsibilities, in compliance with such standards, are described in the following section, titled "Auditors' Responsibilities for the Audit of Financial Statements." We are independent in relation to the Entity, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accountants Council and *Council of Public Accountants of Paraguay*, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

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

As described in Note 31, the Federal Court of Audit (TCU) issued the Ruling 88/2015, which makes recommendations and determinations to Eletrobrás, as Party of Itaipu, on the need for improvement in the controls and governance of Eletrobrás over Itaipu Binacional, also determining actions to the Ministry of Mines and Energy of Brazil, and the Secretariat of External Control of Indirect Management of Brazil. Itaipu Binacional's Management understands that the concepts adopted in said Ruling which conflict with the specific legal nature of Itaipu, which is a Binational Entity, created and governed by a Treaty signed between the Federative Republic of Brazil and the



Republic of Paraguay, and this them has been the object of diplomatic negotiation between the two countries for the creation of a Binational Account Commission, since 2015, because of the legal impossibility of unilateral inspection by the Federal Court of Audit (TCU) in Itaipu. This understanding was confirmed by the Federal Supreme Court in a plenary decision issued at ACO 1905 on September 24, 2020. Our conclusion is not qualified in respect of this matter.

As mentioned in Note 19, Itaipu's Management is in the process of re-evaluation of the retirement and pension plans based on defined benefit. The purpose of this process is to transform those retirement and pension plans sponsored by the Entity into sustainable plans, including the analysis of other alternatives to the current pension systems administered by Fundação Itaipu BR de Previdência e Assistência Social - FIBRA in Brazil and Caja Paraguaya de Jubilaciones y Pensiones del personal de la Itaipu Binacional - CAJUBI, in Paraguay. The accompanying financial statements do not include any adjustment, if any, that could be made as consequence of the re-evaluation of pension and retirement plans based on defined benefits. Our conclusion is not qualified in respect of this matter.

#### **Other matters**

The statements of added value and cash flows for the year ended December 31, 2020, prepared under the responsibility of the Entity's Management and presented as supplementary information based on the preparation described in note 2 to the accounting statements have been subject to the same review procedures previously described, aiming at determining whether they are reconciled with the financial statements and book records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value and CPC 03 – Statement of Cash Flows, including NIF 4 – *Estados de flujos de efectivo* and IAS 7 – *Statement of Cash Flows*, respectively. In our opinion, these statements were prepared, in all material aspects, in accordance with the criteria defined in these standards, and are consistent in the relation to the financial statements taken as a whole.

#### **Responsibility of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements with specific provisions in the Entity's constitutional Treaty and attachments on April 26, 1973 and for such internal controls as management determined is necessary to enable the preparation of financial statements that are free material misstatements, whether due to fraud or error.

In the preparation of financial statements, management is responsible for assessing the ability of the Entity to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless management intends to wind-up the Entity or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Entity are those responsible for supervising the process of preparing the financial statements.

#### **Auditor's responsibilities for the audit of financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high assurance level, but is not a guarantee that an audit performed according to the Brazilian, Paraguayan and international auditing standards will always detect a material misstatements when it exists. Misstatements can arise from



fraud or error and are considered material if, individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit conducted in accordance with Brazilian, Paraguayan and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also:

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

We communicate with Management and those charged with governance regarding, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Curitiba, March 29, 2021

KPMG Auditores Independentes  
CRC PR-007945/F-7

*Original report in Portuguese and Spanish signed by*  
João Alberto Dias Panceri  
Accountant CRC PR-048555/O-2

Asunción, March 29, 2021.

BCA – Benítez Cudas & Asociados  
CRC 100129

*Original report in Portuguese and Spanish*  
Javier Benítez Duarte  
Council of Public Accountants of  
Paraguay Enrollment Public Accountant,  
category "C", n° 528