

Itaipu Binacional

Financial statements December 31, 2015 and 2014

(A free translation of the original report in Portuguese containing individual financial statements prepared in accordance with the accounting practices adopted in Brazil (BR GAAP) and consolidated financial statements prepared in accordance with BR GAAP and IFRS)

Conteúdo

Independent auditors' report on the financial statements

Balance sheet

Statement of income

Statement of changes in financial position

Notes to the financial statements

Supplementary information



KPMG Auditores Independentes
Al. Dr. Carlos de Carvalho, 417 - 16º andar
80410-180 - Curitiba/PR - Brasil
Caixa Postal 13533 - CEP 80420-990 - Curitiba/PR - Brasil
Telefone 55 (41) 3544-4747, Fax 55 (41) 3544-4750
www.kpmg.com.br

Independent auditors' report on the financial statements

The Management and Controlling Shareholders of Itaipu Binacional

We have audited the financial statements of Itaipu Binacional ("Entity"), which comprise the statements of position as of December 31, 2015, and related income statements, the sources, and use of funds, corresponding to the financial year ending on that date, including a summary of the main accounting practices and other explanatory notes. These financial statements were prepared by the management in accordance with the specific provisions described in the Entity's constitutional Treaty and its attachments of April 26, 1973, described in Note 2, and consolidated in the accounts plan and standards of preparation of accounting records, approved by the Board of Directors of ITAIPU Binacional.

Management is responsibility for the financial statements

The Directors of Itaipu Binacional are responsible for the preparation and fair presentation of these financial statements in accordance with the specific provisions described in the Entity's constitutional Treaty and its attachments of April 26, 1973, described in Note 2, and for such internal as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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



An audit involves performing procedures selected to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment, including the assessment of the risks of material misstatement of the financial statements, irrespective of whether these are caused by fraud or errors. In this assessment of risks, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Entity, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Entity. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

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

Opinion

In our opinion, the aforementioned financial statements present, in all material respects, the equity and financial position of ITAIPU Binacional on December 31, 2015, the income (loss) of its operations, the sources and use of funds, corresponding to the year ending on that date, in accordance with the specific provisions described in the Entity's constitutional Treaty and its attachments of April 26, 1973 (cited in Note 2), and consolidated in the accounts plan and standards of preparation of accounting records, approved by the Board of Directors of ITAIPU Binacional.

Emphasis of matter

Regulatory provisions

As mentioned in Note 32, the Management of Itaipu Binacional reiterated its legal opinion that the decision of the TCU (judgment 88/2015) is technically incorrect in light of Article 71, V, of the Federal Constitution, since Itaipu has no "national accounts"; and its Constitutional Treaty, specified in Article XXII, does not state the need for any unilateral inspection (Requirement of TCU judgment 88/2015) of a Brazilian or Paraguayan internal organ. Based on information known to date, even considering the suspension of the effects of judgment 88/2015, uncertainties still exist in the development of this subject. Our opinion is not qualified in relation to this matter.

Accounting practices adopted in the financial statements

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 suitable for other purposes. Our opinion is not qualified in relation to this matter.



Other issues

In addition, we have audited the added value, cash flow statements and the operational accounts for the financial year ended December 31, 2015, contained in Tables I, II, III and Attachment I, prepared under the responsibility of the Company's management, whose presentation is not required under the provisions of the Treaty and its attachments of April 26, 1973. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are presented, in all material respects, in relation to the basic financial statements taken as a whole.

Curitiba, April 18, 2016

Marcello Palamartchuk
Partner - Accountant
CRC PR-049038/O-9
KPMG Auditores Independentes
CRC SP-014428/O-6 F-PR

Asunción, April 18, 2016

Javier Benítez Duarte
Partner
Mat. Consejo CPP 528C
Mat. Colegio CPy C652
BCA - Benítez Codas & Asociados

Consórcio KPMG Auditores Independentes - BCA Benítez Codas & Asociados

BALANCE SHEET AT DECEMBER 31, 2015 AND 2014**(In US Dollars)****ASSETS**

	Note	12/31/2015	12/31/2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	302.943.430	313.950.465
Trade accounts receivable	7	950.689.088	990.830.029
Storeroom	8	6.680.658	6.492.486
Bonds receivable	9	3.268.862	3.286.498
Judicial deposits	10	23.036.098	34.520.767
Other accounts receivable	11	54.727.289	39.451.250
TOTAL CURRENT ASSETS		1.341.345.425	1.388.531.495
NON-CURRENT ASSETS			
Bonds receivable	9	221.449.503	218.384.799
Judicial deposits	10	15.106.217	23.890.705
		236.555.720	242.275.504
RESULTS			
	12		
From prior years		(3.235.236.031)	(2.131.418.858)
Current financial year		(2.035.873.775)	(1.103.817.173)
		(5.271.109.806)	(3.235.236.031)
PROPERTY, PLANT AND EQUIPMENT			
	13	17.474.439.596	17.469.614.239
INTANGIBLE ASSETS			
	14	28.000.784	24.874.267
TOTAL NON-CURRENT ASSETS		12.467.886.294	14.501.527.979
TOTAL ASSETS		13.809.231.719	15.890.059.474

BALANCE SHEET AT DECEMBER 31, 2015 AND 2014

(In US Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Note</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
LIABILITIES			
CURRENT LIABILITIES			
Loans and financing	15	1.324.419.740	1.246.826.696
Remuneration and reimbursements	16	616.689.972	684.611.147
Suppliers	17	39.258.613	57.448.803
Salaries and social charges	18	48.333.586	62.920.743
Labor indemnities	19	19.984.145	23.386.410
Provision for lawsuits	21	69.933.400	96.097.905
Other liabilities	22	17.966.208	3.101.176
TOTAL CURRENT LIABILITIES		<u>2.136.585.664</u>	<u>2.174.392.880</u>
NON-CURRENT LIABILITIES			
Loans and financing	15	10.111.463.344	11.436.343.586
Labor indemnities	19	264.709.742	346.449.977
Post-employment benefits	20	1.137.069.158	1.759.412.051
Provision for lawsuits	21	56.440.300	70.099.686
Other liabilities	22	2.963.511	3.361.294
TOTAL NON-CURRENT LIABILITIES		<u>11.572.646.055</u>	<u>13.615.666.594</u>
TOTAL LIABILITIES		<u>13.709.231.719</u>	<u>15.790.059.474</u>
EQUITY			
Capital	23		
Centrais Elébricas Brasileiras S.A.		50.000.000	50.000.000
Administración Nacional de Electricidad		50.000.000	50.000.000
TOTAL SHAREHOLDERS' EQUITY		<u>100.000.000</u>	<u>100.000.000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>13.809.231.719</u>	<u>15.890.059.474</u>

STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>Note</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
OPERATING INCOME	24		
Supply of power		3.291.012.000	3.291.012.000
Remuneration for electricity assignment		313.419.899	318.374.804
Reimbursement of costs - non-bound energy		<u>76.369.446</u>	<u>70.975.712</u>
Total operating income		<u>3.680.801.345</u>	<u>3.680.362.516</u>
OPERATING EXPENSES			
REMUNERATION AND REIMBURSEMENTS	25		
Yields from Capital		(47.119.450)	(48.784.814)
Remuneration for electricity assignment		(313.419.899)	(318.374.804)
Bound energy			
Royalties		(396.385.804)	(411.298.648)
Reimbursement of management and supervision charges		<u>(30.491.216)</u>	<u>(31.638.358)</u>
		<u>(426.877.020)</u>	<u>(442.937.006)</u>
Non-bound energy			
Royalties		(70.914.486)	(65.906.018)
Reimbursement of management and supervision charges		<u>(5.454.960)</u>	<u>(5.069.694)</u>
		<u>(76.369.446)</u>	<u>(70.975.712)</u>
		<u>(863.785.815)</u>	<u>(881.072.336)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	26		
Personnel		(381.843.926)	(557.502.289)
Actuarial provisions		206.765.665	(123.996.093)
Material		(17.170.286)	(17.901.251)
Outsourced services		(99.502.987)	(101.961.380)
Lawsuit expenses		(4.884.515)	(50.646.983)
Provision for lawsuits		(13.346.144)	74.473.567

STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>Note</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Other operating expenses		(83.881.768)	(98.738.803)
		<u>(393.863.961)</u>	<u>(876.273.232)</u>
Total operating expenses		<u>(1.257.649.776)</u>	<u>(1.757.345.568)</u>
SERVICE INCOME		<u>2.423.151.569</u>	<u>1.923.016.948</u>
OTHER INCOME (EXPENSES)	27		
Sundry income		4.898.774	8.881.552
Sundry expenses		(18.273.309)	(58.584.531)
Total sundry income (expenses)		<u>(13.374.535)</u>	<u>(49.702.979)</u>
FINANCIAL INCOME			
Yield from interest earning bank deposits		39.561.104	56.764.473
Penalties on overdue electricity bills		4.321.515	2.259.258
Other financial income		3.758.752	3.628.014
Total financial income		<u>47.641.371</u>	<u>62.651.745</u>
FINANCIAL EXPENSES			
Unfunded financial charges		(804.342.107)	(885.738.220)
Charges on remuneration and reimbursements		(4.070.329)	(2.108.825)
Monetary variations	28	387.011.257	55.735.307
Other financial expenses		(143.451)	(36.803)
Total financial expenses		<u>(421.544.630)</u>	<u>(832.148.541)</u>
FINANCIAL INCOME (LOSS)		<u>(373.903.259)</u>	<u>(769.496.796)</u>
INCOME (LOSS) FOR THE YEAR		<u><u>2.035.873.775</u></u>	<u><u>1.103.817.173</u></u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
SOURCE OF FUNDS		
Operations		
Income (loss) for the year	2.035.873.775	1.103.817.173
Expenses items not affecting net working capital		
Long-term monetary restatements - loans	(7.090.969)	(3.087.850)
Long-term monetary variation - estimated liabilities	(452.623.672)	(70.503.142)
Writes-off of fixed assets	18.017.405	58.155.422
	<u>1.594.176.539</u>	<u>1.088.381.603</u>
Third-parties		
Increase in non-current liabilities	59.071.569	254.199.532
Transfer of current liabilities to non-current liabilities	3.933.357	13.698.314
Transfer from non-current to current assets	3.286.849	19.419.452
Decrease in non-current assets	12.976.370	5.940.119
Funds received - loans	11.132.250	8.660.000
	<u>90.400.395</u>	<u>301.917.417</u>
TOTAL FINANCIAL RESOURCES PROVIDED	<u>1.684.576.934</u>	<u>1.390.299.020</u>
INVESTMENTS OF FUNDS		
Investments in property, plant and equipment and intangible assets	25.635.436	41.455.814
Incorporated charges on property, plant and equipment	333.843	17.203
Increase in non-current assets	10.543.435	22.841.502

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
Decrease in non-current liabilities	307.684.449	184.230.353
Transfer from the long to short-term - loans	1.328.921.524	1.245.110.701
Transfer from the long to short-term - estimated obligations	<u>20.837.101</u>	<u>5.211.614</u>
TOTAL INVESTMENTS	<u>1.693.955.788</u>	<u>1.498.867.187</u>
DECREASE IN NET WORKING CAPITAL	<u>(9.378.854)</u>	<u>(108.568.167)</u>

STATEMENT OF CHANGES IN NET WORKING CAPITAL

Closing net working capital		
Final current assets	1.341.345.425	1.388.531.495
Final current liabilities	<u>(2.136.585.664)</u>	<u>(2.174.392.880)</u>
	(795.240.239)	(785.861.385)
Opening net working capital	(785.861.385)	(677.293.218)
Decrease in net working capital	<u>(9.378.854)</u>	<u>(108.568.167)</u>

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015 AND 2014

(Values expressed in US Dollars)

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 to as the High Contracting Parties, with its capital equally owned by Centrais Elétricas Brasileiras S.A. - ELETROBRAS and Administración Nacional de Electricidad - ANDE, also referred to as the Parties.

ITAIPU has its headquarters located in Brasilia, the Capital of the Federative Republic of Brazil and Asuncion, the Capital of the Republic of Paraguay and has full 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 Guaira Falls 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 began operations on May 17, 1974, and the Hydroelectric Power Plant was officially inaugurated on October 25, 1984, and by March 1985, two generating units for contracting by Brazil and Paraguay were already available. In 1991, the first stage of implementation of 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 of power available for contracting by ELETROBRAS and ANDE.

In 2015, ITAIPU generated 89.2 billion kWh, 1.6% more than the 87.8 billion kWh generated in 2014. Record power generation occurred in 2013 when it stood at 98.6 billion kWh.

ITAIPU is governed by the rules set forth in its Treaty and its Attachments, as referred to below, and as its administrative bodies has a Board of Directors and an Executive Board, composed of equal numbers of members from each country.

Attachment "A" - Statute of ITAIPU.

Attachment "B" - General Description of the Facilities Designated for the Production of Electric Power and Auxiliary Works.

Attachment "C" - Financial Bases and provision of electricity services of ITAIPU.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of conformity

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.

Also presented as Supplementary Information: the Statement of Added Value, Statement of Cash Flow, Statement of Operating Account, Tables I, II, III, respectively, and the Notes for the Statement of Operating Account, Attachment I.

Furthermore, under the requirements of the Treaty, its Attachments and other official acts the Financial Statements and Supplementary Information have been prepared to observe the accounting practices adopted in Brazil and Paraguay.

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

- (i) The amortization of property, plant and equipment and the amortization of intangible assets is not accounted for during the period of its useful life, as mentioned in Note 4.c;
- (ii) The results of the Entity are not stated in Shareholders' Equity, but are shown under the caption Results, pertaining to assets (Note 12);
- (iii) The assessments of the obligations for post-employment benefits, 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 4i and 20);
- (iv) The value of assets and liabilities are expressed in United States Dollars, adopted as reference for the accounting of operations, as mentioned in Note 4.a;
- (v) Accounting policies regarding the measurement of fair value of assets and liabilities have not been established or disclosed, as well as the classification and disclosure of financial instruments, derivatives or otherwise;
- (vi) The return on own capital paid to the Parties does is not considered in the realization of income, which is represented as an operating expense in the income (Notes 16 and 25);
- (vii) ITAIPU does not prepare a Statement of Changes in Shareholders' Equity and a Statement of Comprehensive Income, because its Shareholders' Equity is not altered; and
- (viii) 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 Financial Statements are part of the Entity's Annual Report.

The issue of financial statements was authorized by the Management on April 18, 2016.

3. RELATIONSHIP WITH THE INDEPENDENT AUDITORS

ITAIPIU maintains an contract with Consórcio KPMG Auditores Independentes - BCA Benítez Cudas & Associados, composed of the companies KPMG Auditores Independentes, headquartered in São Paulo, Brazil and BCA Benítez Cudas & Associados, headquartered in Asuncion, Paraguay for the implementation of the external audit of the Financial Statements and internal controls, according to the United States *Sarbanes-Oxley Act (SOX)*, for the financial years of 2013, 2014 and 2015.

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

4. DECIPTION OF SIGNIFICANT ACCOUNTING POLICIES

In the preparation of the Entity's Financial Statements, the following accounting practices with regard to recording economic-financial transactions and operations were adopted.

a) Reference currency for recording transactions

In the accounting of operations and the presentation of Financial Statements, as a reference, the currency of the United States has been adopted, as provided in Attachment "A" of the Treaty.

Economic-financial operations and transactions carried out in different currencies, have values converted to the United States Dollars based on the market closing rates published by the Central Banks of Brazil and Paraguay, according to the following criteria:

- Property, plant and equipment, intangible assets and other costs - the rates of the previous day on which the costs were incurred.
- Capital - the rates in effect on the dates of 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 assets and liabilities - converted to the rates adopted for the last business day of each month of the year.

Operating Income 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.

Capital income, 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 income and sundry income, are converted to the rates of the day preceding the date in which they are incurred.

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, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Revisions to accounting estimates are recognized in the period they are revised.

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the next financial years are included in the following notes:

- i) Note 13 - Provision for *impairment*: the basis for verification of the necessity (or not) for the constitution of provisions;
- ii) Note 20 - Measurement of post-employment benefit obligations: principal actuarial assumptions;
- iii) Note 21 - Recognition and measurement of provisions for lawsuits: principal assumptions on the probability and magnitude of resource outflows.

c) Property, plant and equipment and intangible assets

Investments in works, relating to the acquisition, construction, installation and engineering, including expenditure on general administration, financial charges on third party funds during the construction period, pre-operating expenses for the deployment and training of personnel during the construction period and apportionments of management fees, have been accounted for under the historical cost principle. In the event of impairment losses, they will be deducted from this cost.

Income 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 of operation of the Hydroelectric Power Plant, these figures were reallocated between the cost of the work and sundry income and, after full operation, moved to in sundry income.

ITAIPU does not account for the depreciation of property, plant and equipment and the amortization of intangible assets for their useful life, as income 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.

d) Operating income

Understand the values arising the provision of electricity services, based on contracted power for the companies ELETROBRAS, in Brazil, and ANDE, in Paraguay, in accordance with letters of commitment and agreement, signed for this end, as well as reimbursement of costs of additional power for guaranteed energy not associated with contracted power.

Remuneration for the electricity assignment, charged to ELETROBRAS and Brazilian Ministry of Mines and Energy is credited to the Government of Paraguay, depending on the size of the transfer of energy.

e) Operating expenses

This includes 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.

f) Financial income

This includes income from any income from investments at banking institutions, the restatement of deposits used as collateral according to the Brazilian foreign debt restructuring agreement (Note 9), 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 9) and other financial income.

g) Financial expenses

This includes financial charges from loans and financing agreements, net monetary variations that are made up of monetary correction 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 financial charges on salaries and reimbursements and other financial expenses.

h) Sundry income/expenses

This includes revenues and expenses from the sale of scrap and unserviceable equipment, real estate occupancy rates, sale notices, write-off of assets and similar.

i) Post-employment benefits

ITAIPIU acknowledges their obligations under the Employee benefit plans, adopting the following practices:

- iv) the cost of retirement and pension plan and health plan are calculated by independent 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 particularities of each country;
- v) the cost of the retirement and pension plan is recognized in the Entity's Financial Statements, net of the plan's assets (Note 20.a);
- vi) the cost of the health plan is fully recognized in the Entity's Financial Statements (Note 20.b).

j) Profit sharing

Payment to employees of respected values such as profit sharing is not taken into consideration in realization of profit and is accounted for on a cash basis, due to the uncertainty surrounding such payments and the impossibility of making a reliable estimate of the obligation, according to the provisions of the Terms of Agreement for the Distribution of Profit Sharing, signed each financial year.

5. EFFECTS OF EXCHANGE RATE FLUCTUATIONS ON THE FINANCIAL STATEMENTS

Operations of the Entity, carried out in sundry currencies, mainly in Reais and Guaranis, are accounted for using USD as a reference.

The effects of fluctuations in the purchasing power of these currencies are reflected in the Financial Statements in accordance with the criteria of conversion described in Note 4.a, and the extent to which it deviates from the value of the United States Dollar.

Exchange rates for the United States Dollar

At December 31	Brazil		Paraguay	
	Rates in Reais (R\$)	Annual variation (%)	Rates in Guaranis (Gs)	Annual variation (%)
2006	2.1380	(8.6)	5,210	(15.3)
2007	1.7713	(17.5)	4,910	(5.7)
2008	2.3370	31.9	4,970	1.2
2009	1.7412	(25.5)	4,630	(6.8)
2010	1.6662	(4.3)	4,591.74	(0.8)
2011	1.8758	12.6	4,505.95	(1.9)
2012	2.0435	8.9	4,252.54	(5.6)
2013	2.3426	14.6	4,610.91	8.4
2014	2.6562	13.4	4,642.16	0.7
2015	3.9048	47.0	5,813.94	25.2

The amounts recorded in United States Dollars remain recorded at historical cost.

For information purposes, the table below shows the main inflation indexes for the financial years of 2015 and 2014.

Inflation indexes

	<u>In percentage - %</u>	
	<u>2015</u>	<u>2014</u>
Brazil:		
Expanded Consumer Price Index - IPCA Instituto Brasileiro de Geografia e Estatística	10.7	6.4
General Price Index - IGP-DI Fundação Getúlio Vargas	10.7	3.8
Paraguay:		
Consumer Price Index - CPI Central Bank of Paraguay	3.1	4.2
United States of America:		
Average Indexes " <i>Industrial Goods</i> " and " <i>Consumer Prices</i> "	(3.5)	1.3

6. CASH AND CASH EQUIVALENTS

These include banking and cash equivalents, held in Reais and Guaranis, equivalent to United States Dollars and kept in this currency in Paraguayan banks.

	US\$	
	2015	2014
Cash	16,617	18,999
Banks checking account	991,372	1,165,350
Interest earning bank deposits		
In Brazil		
Caixa Econômica Federal - FIC Ideal RF	-	36,106
Caixa Econômica Federal - CDB Flex	219,920,308	195,622,207
Banco do Brasil - CDB DI	8,845,233	40,888,202
Banco do Brasil Fixed Income 25,000	191,548	6,386
	<u>228,957,089</u>	<u>236,552,901</u>
Paraguay		
Banco Regional	27,757,287	30,387,958
Banco Bilbao Vizcaya Argentaria	16,853,599	10,089,578
Banco Continental	15,948,206	18,153,536
Banco Itaú	7,654,926	10,771,368
Banco Atlas	2,972,260	-
Banco Bancop	1,412,666	1,224,702
Sudameris Bank	99,640	118,380
Vision Banco	96,569	108,019
Banco do Brasil	88,042	109,168
Banco Amambay	63,789	79,246
Banco Nacional de Fomento	31,368	50,400
Banco Citibank	-	5,120,860
	<u>72,978,352</u>	<u>76,213,215</u>
	<u>301,935,441</u>	<u>312,766,116</u>
TOTAL	<u>302,943,430</u>	<u>313,950,465</u>

7. TRADE ACCOUNTS RECEIVABLE

This refers to the values resulting from the provision of electricity services, whose invoices are due respectively: by the 20th day of the second month after generation, by the 30th day of the second month after generation and by the 10th day of the third month after generation, issued in United States Dollars, to be received in Reais or Guaranis, according to exchange rate of sale (closing), the day prior to the receipt, disclosed by the Central Banks of Brazil and Paraguay, respectively.

This also includes provisions for the adjustment of the dollar on receivables from the remuneration for electricity assignment, royalties and compensation for management and supervision charges (Notes for the Operating Account Statements) 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.

	US\$	
	2015	2014
Purchasing entities		
Centrais Elébricas Brasileiras S.A. - ELETROBRAS	675,702,178	678,432,681
Ministry of Mines and Energy of Brazil	183,754,137	224,223,641
Administración Nacional de Electricidad - ANDE	91,232,773	88,173,707
TOTAL	950,689,088	990,830,029

The Brazilian Ministry of Mines and Energy is responsible to credit ITAIPU two-thirds of the payment on remuneration for electricity assignment due to the Paraguayan Treasury. Of the balances of US\$183,754,137 presented on December 31, 2015, and US\$ 224,223,641, presented on December 31, 2014, US\$ 41,406,288 in 2015 and US\$ 77,421,869 in 2014 due each financial year.

8. STOREROOM

	US\$	
	2015	2014
Storeroom material	6,487,996	6,299,824
Material separated for disposal	192,662	192,662
TOTAL	6,680,658	6,492,486

9. BONDS RECEIVABLE

	US\$	
	2015	2014
Judicial deposits CT-80/92	200,810,267	195,169,582
Agreement ANDE 5.808/99 - T5/R5	12,183,759	13,486,928
Agreement ANDE 5.808/99 - Substation MD	4,541,460	5,175,152
Agreement ANDE 5.808/99 - T4/R4	910,467	1,004,947
Agreement FOCEM - LT 500 kV	-	227,720
Compulsory tax recoverable	4,340,762	4,266,878
Other	1,931,650	2,340,090
TOTAL	224,718,365	221,671,297
(-) Long-term installments	221,449,503	218,384,799
Short-term installments	3,268,862	3,286,498

These are made up, principally, of securities maturing in April 2024, which are the right of the Entity, of an amount equivalent to the principal of the bonds “*Par-Bond*” and “*Discount-Bond*”, participants of the restructuring agreement of Brazilian foreign debt, negotiated by the Brazilian National Treasury through CT-80/92 contracts (Note 15).

Agreement 5,808/99, signed between ITAIPU and ANDE is to establish the conditions for ITAIPU to expand sectors 3 and 4 of the Substation on the Right Bank, encompassing the executive project, associated equipment, civil works, electromechanical erection, operation, and the maintenance of facilities.

On August 20, 2010, ITAIPU and ANDE signed additive Note 2 of the above-mentioned Agreement, in order to establish 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 15), for the installation of an Autotransformer/Regulator of 500/220 kV (T5/R5) in the Substation of the Right Bank.

On February 17, 2012, ITAIPU and ANDE signed additive Note 6 in order to establish 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 15) for the Repowering of Autotransformer Set/Regulator (T4/R4) in the Substation of the Right Bank.

The reimbursement of all payments made by ITAIPU to CAJUBI will be based on the same loan conditions of the contract and, if necessary, by offsetting the rights of ANDE as provided for in item III.5 of Attachment “C” in the Treaty of ITAIPU.

The receivable balance of the FOCEM Agreement - LT 500 kV (Note 11) relates to value added tax (VAT) on import costs, which are considered ineligible by the Mercosur Convergence Fund - FOCEM, the funding body of the project, and are reimbursed to ITAIPU by ANDE.

10. JUDICIAL DEPOSITS

These refer to the values of appeal deposits, guarantee deposits and bank deposit certificates (CDB) in Brazil, and judicial embargoes in Paraguay, related labor, tax, civil and commercial lawsuits where ITAIPU is a party.

	US\$	
	2015	2014
Brazil	34,720,969	54,126,082
Paraguay	3,421,346	4,285,390
TOTAL	38,142,315	58,411,472
(-) Long-term installments	15,106,217	23,890,705
Short-term installments	23,036,098	34,520,767

Judicial deposits in Brazil, except Interbank Deposit Certificate (CDB) that have already suffered correction according to the rules agreed at the time of acquisition, are updated based on the National Consumer Price Index - INPC, for the tax, civil and commercial purposes, and based on the FGTS correction factor, for labor purposes.

11. OTHER ACCOUNTS RECEIVABLE

	US\$	
	2015	2014
Advances to suppliers of inventory	29,140,388	26,734,998
Restricted deposits	17,085,588	7,875,116
Sundry receivables	5,704,889	3,704,755
Advances to staff	2,796,424	1,136,381
TOTAL	54,727,289	39,451,250

The caption of linked deposits includes the balances of bank accounts linked to the Agreements and Terms of Cooperation.

On August 2, 2010, an agreement was reached for the Convergence Fund of MERCOSUL - COF, based on the Decision of the Council of the Common Market of South America, MERCOSUR/CMC/DEC Number 07/2010, for the project of the "Construction of ITAIPU 500kV Transmission Line - Villa Hayes, the Sub-Station Villa Hayes and the expansion of the Sub-Station on the ITAIPU Right Bank", with ITAIPU the executing body of the project.

The total estimated cost of the project is US\$ 555,000,000 of which US\$ 400,000,000 are provided by the Fund for Structural Convergence of MERCOSUL - FOCEM with the other US\$ 155,00,000 provided by ITAIPU and Administración Nacional de Electricidad - ANDE.

On December 31, 2015, the agreements relating to the said project presented the following financial transactions:

<u>COF</u>	<u>US\$</u>
Funds received from FOCEM until 2014	302,821,330
Funds received from FOCEM in 2015	4,000,000
Total funds received	<u>306,821,330</u>
Recovery of taxes up to 2014	21,973,523
Recovery of taxes in 2015	111,846
Total taxes recovered	<u>22,085,369</u>
Amounts paid on execution of the project until 2014	(324,657,012)
Amounts paid on execution of the project in 2015	(3,047,165)
Total payments	<u>(327,704,177)</u>
Available as of December 31, 2015	<u>1,202,522</u>
<u>Agreement ANDE - T5/R5 (Note 9)</u>	<u>US\$</u>
Funds received from CAJUBI until 2014	15,000,000
Funds received from CAJUBI in 2015	-
Total funds received	<u>15,000,000</u>
Amounts paid on execution of the project until 2014	(14,759,116)
Amounts paid on execution of the project in 2015	(55,830)
Total payments	<u>(14,814,946)</u>
Available as of December 31, 2015	<u>185,054</u>

On April 25, 2014, the Agreement of Cooperation JEC.JE/055/2014 was reached between ITAIPU and the Administración Nacional de Electricidad - ANDE, to last 36 months, in order to establish the obligations and conditions regarding the execution of the following works and services to strengthen the electrical system of Alto Parana, Paraguay:

- a) Construction of a Substation Microcenter in Ciudad del Este;
- b) Repowering of overhead Transmission Line at 66 kV, between the substations of Acaray and Alto Parana; and
- c) Construction of two underground transmission lines at 66 kV, between the substation of Alto Parana and the Substation Microcenter in Ciudad del Este.

On February 12, 2015, additive number 1 was signed in the said Agreement, which included the completion of three works:

- d) Expansion of the Alto Parana Substation at 66 kV: construction of two line output positions at 66 kV;
- e) Construction of an Underground Subtransmission line at 66 kV, in a stretch of 4 km of Ciudad del Este to the Alto Parana Substation; and
- f) Complementary distribution works, corresponding to feeder outlets of the Substation Microcenter, as well as interconnection with existing feeders.

On April 24, 2015, Amendment No. 2 was signed to extend the scope of the object defined in the said Agreement and its additive number, with the inclusion of related works.

The cost of works and services is forecast at US\$ 22,000,000 including the cost of taxes. The funds for the joint venture will come from:

- i) Credit operations to be contracted by ITAIPU, in accordance with the rules of the Entity; and
- ii) Resources of ANDE referring to the restatement of Yields from Capital, as set out in Attachment "C" in the Treaty.

Until December 31, 2015, the aforementioned Cooperation Agreement contained the following financial transactions:

<u>Agreement line 66 kV</u>	<u>US\$</u>
Funds received from loans in 2014	5,150,000
Funds received from loans in 2015	4,842,250
Total resources received from loans	<u>9,992,250</u>
Funds received from ANDE in 2015	<u>18,352,759</u>
Total funds received	<u>28,345,009</u>
Amounts paid on execution of the project in 2015	(3,904,948)
Amortization of loan in 2015	<u>(9,717,384)</u>
Total payments	<u>(13,622,332)</u>
Available as of December 31, 2015	<u><u>14,722,677</u></u>

12. RESULTS

This includes the results of ITAIPU drawn from the results of Statement of Income for each year, accumulated up to December 31, 2014, and the income (loss) for the year ended December 31, 2015.

	<u>US\$</u>	
	<u>2015</u>	<u>2014</u>
Income (loss) of the prior year	(3,235,236,031)	(2,131,418,858)
Income (loss) of the current year	<u>(2,035,873,775)</u>	<u>(1,103,817,173)</u>
TOTAL	<u>(5,271,109,806)</u>	<u>(3,235,236,031)</u>

The results are not used as a calculation basis for return on own capital, profit sharing, or establishment of reserves, as provided in Note 2, items ii and iii.

Until 2023, the forecast year for the total amortization the debt and the revision of Attachment "C" of the Treaty, the amount of accrued values in the Income (loss) caption and total property, plant and equipment 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.

13. PROPERTY, PLANT AND EQUIPMENT

	US\$	
	2015	2014
Fixed assets in service		
Goods and production facilities	16,360,107,291	16,360,602,932
Other assets and facilities	687,069,735	698,349,171
Capital goods furniture	92,482,560	94,580,081
Total fixed assets in service	17,139,659,586	17,153,532,184
Constructions in progress		
Sundry property, plant and equipment	282,471,651	265,246,668
Advances for personal property	2,796,943	1,997,293
Technical reserve	49,511,416	48,838,094
Total constructions in progress	334,780,010	316,082,055
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,474,439,596	17,469,614,239

Property, plant and equipment in service, equivalent to 98.1% and 98.2% of total property, plant and equipment in the years 2015 and 2014, respectively, represent the direct costs of construction of the ITAIPU Hydroelectric Power Plant: facilities for the production of electricity and ancillary works, adjacent areas, in addition to furniture and costs to distribute.

These costs, originally, are classified as Constructions in progress, being transferred to property, plant and equipment in service, due to the physical and accounting inventory of property units.

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

The charges on loans and financing relating to property, plant and equipment are recorded in Assets until entry into operation.

The value displayed on the property, plant and equipment is the historical cost, since ITAIPU does not account for depreciation, due to having Income revenues 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 4.b and 12).

By not accounting for the depreciation of property, plant and 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), approved annually by the Board of Directors of the Entity, as the basis for verification of the need to form a provision for *impairment*. In the financial year of 2015, as well as for the financial year of 2014, the formation of this provision was not deemed necessary.

In the financial year of 2015 there were several write-offs, as detailed below:

- (i) Write-off, donation for the purpose of public and social interest, of various furniture and real estate assets, amounting to US\$ 6,334,411;
- (ii) Write-off of various furniture assets valued as scrap, amounting to US\$ 2,085,875;
- (iii) Write-off for the sale of real estate that makes up the housing of both banks, amounting to US\$ 8,643,427; and
- (iv) Write-off for the sale of furniture assets, amounting to US\$ 953,692.

In the financial year of 2014, the Executive Board of ITAIPU approved, through Resolution Number RDE-004/14, a review of the System Manual of Furniture Assets of ITAIPU and, one of the actions established in this review was to increase the minimum value of the fixed assets, which for the financial year caused a greater amount of write-offs for furniture assets due to adjustments in the revised manual.

The net movement of Property, Plant and Equipment in the financial year of 2015 was US\$ 4,825,357 and US\$ (19,267,794) in 2014 with the following breakdown:

	US\$	
	<u>2015</u>	<u>2014</u>
Property, plant and equipment in the year		
Sundry property, plant and equipment	16,891,140	27,440,467
Capital goods furniture	4,944,457	8,955,961
	<u>21,835,597</u>	<u>36,396,428</u>
Economic (decreases) increases		
Technical reserve	673,322	2,473,997
Average interest rate	333,843	17,203
Write-off of property, plant and equipment	(18,017,405)	(58,155,422)
	<u>(17,010,240)</u>	<u>(55,664,222)</u>
Changes in fixed assets	<u>4,825,357</u>	<u>(19,267,794)</u>

The General Inventory of Movable Properties of ITAIPU of the financial year of 2015, made based on the Manual of Entity's Movable Properties, marked out 1,394 assets not located by the responsible departments, these goods are the object of a general search, once the inventory is separated by formal departments.

In 2015, the bidding process was initiated for the hire of a consulting firm that will undertake the task of creating the general inventory of fixed assets and the physical reconciliation and accounting of the assets, with the start of the work planned for 2016.

14. INTANGIBLE ASSETS

This is composed of the expenses related to obtaining intangible assets for the operation, maintenance, and Management of the Entity.

	US\$	
	<u>2015</u>	<u>2014</u>
Use of rights of way	68,914	68,914
Software	27,931,870	24,805,353
TOTAL	<u>28,000,784</u>	<u>24,874,267</u>

As described in Notes 4.b. and 12, ITAIPU does not account for the amortization of its Intangible Assets.

15. LOANS AND FINANCING

Loans and financing in United States Dollars and other currencies, as shown in the table below, are duly updated with interest and other financial charges added, according to the contractual terms.

	Curren- cy (3)	Interest rate	Contract value		Debt on December 31- US\$ Thousands			Amortization period		
			Total (in thousands)	Equivalent in US\$ thousand s	2015		2014	Begi- nnin- g	End	Installmen- t
					Short- term	Long-term				
I - ELETROBRAS										
ECF - 1480/97										
Tranche B - Principal	US\$	7.5	10,250,481	10,250,481	402,922	2,748,912	3,644,133	2001	2023	Monthly
Tranche C - Principal	US\$	4.1	1,780,955	1,780,955	49,836	358,276	481,062	2007	2023	Monthly
ECF - 1627/97										
Principal	US\$	7.5	181,577	181,577	9,931	61,242	81,105	1998	2023	Monthly
ECF - 1628/97										
Principal	US\$	7.5	211,116	211,116	20,850	128,576	170,276	2007	2023	Monthly
CT - 2686/08										
Principal	US\$	7.5 ⁽⁴⁾	22,343	22,343	1,701	8,507	11,910	2012	2021	Monthly
					485,240	3,305,513	4,388,486			
II - BRAZILIAN NATIONAL TREASURY										
CT-80/92										
External Debt Restructuring (DMLP)	US\$	(Note 2) ⁽⁶⁾	918,235	918,235	1,597	243,369	244,945	1997	2023	Semi- annual
CT-424/TN										
Eletrobras transfer (ECF-1480/97)										
Tranche B - Principal	US\$	7.5			203,371	1,633,379	1,989,874	2001	2023	Monthly
Tranche C - Principal	US\$	4.1			54,066	385,212	483,409	2007	2023	Monthly
CT-425/TN										
Eletrobras transfer (ECF-1480/97)										
Tranche B - Principal	US\$	7.5			450,147	3,611,671	4,401,350	2001	2023	Monthly
Tranche C - Principal	US\$	4.1			119,628	852,330	1,069,603	2007	2023	Monthly
					828,809	6,725,961	8,189,181			
III - OTHER CONTRACTS										
FIBRA - Fundação Itaipu BR de Previdencia e Assistencia Social										
CT - 7218/03	R\$	6.0 ⁽⁵⁾	73,911	31,626	2,404	18,360	30,512	2004	2023	Monthly
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional										
PIB 2010-10-0001 - T5/R5	US\$	8.0	15,000	15,000	1,468	11,228	14,055	2012	2022	Monthly
GDP 2011-10-0001 - Repowering T1/R1, T2/R2 T3/R3 E TX/RX	US\$	8.0	5,000	5,000	481	3,050	3,977	2012	2021	Monthly
GDP 2011-10-0002 - Sectioning L3 and L4 500kV	US\$	8.0	42,000	42,000	3,651	28,429	35,461	2013	2022	Monthly
GDP 2011-10-0003 - Environment MD	US\$	8.0	12,000	12,000	1,286	9,318	11,795	2013	2022	Monthly
GDP 2012-10-0001 - Repowering T4/R4	US\$	8.0	1,132	1,132	102	808	1,004	2013	2022	Monthly
					6,988	52,833	66,292			
Other lenders										
Banco ITAU Paraguay S.A. - ANDE 66Kv Line	US\$	4.1 ⁽⁷⁾	10,000	10,000	275		5,175	2015	2016	Annual
Banco Bilbao V. A. S.A. - Battery Bank - SEMD	US\$	4.1	1,800	1,800	600	900	810	2015	2018	Monthly
Banco Continental S.A.E.C.A. - ITAIPU Preserve MD	US\$	6.0	11,500	11,500	104	7,396	2,714	2016	2022	Monthly
Banco Bilbao V. A. S.A. - Estudo Atual. Tec. UHI	US\$	5.7	4,537	4,537		500		2017	2022	Monthly
					979	8,796	8,699			
LOANS AND FINANCING					1,324,420	10,111,463	12,683,170			

(1) Convert the current rate on the date of release and update the balance sheet closing rate.

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

(7) In addition to the interest rate, the contract sets forth the payment rate of commission and value added tax (VAT).

(2) Interest rates
Six-month Libor + Spread, 6.0 and 8.0

(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

(3) Abbreviations:

R\$ - Reais
US\$ - United States Dollar

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

Centrais Elétricas Brasileiras S.A. - ELETROBRAS and the Brazilian National Treasury - TN, signed on December 29, 1998, contracts 423/TN 424/TN and 425/TN, for the assignment of the credits that company held together with this Entity.

Since 2007, the variation between the annual averages of indexes of "Industrial Goods" and "Consumer Prices", published by the Journal of "International Financial Statistics", used for the indexation of contracts signed with ELETROBRAS (including credit assignment of the Brazilian National Treasury), ceased to be applied on the basis of Law Number 11,480, of May 30, 2007, regulated by Decree Number 6265 of November 22, 2007, and the additives ECF-1480-A/2007, ECF-1627-C/2007 and ECF-1628-D/2007, signed on December 27, 2007, with Centrais Elétricas Brasileiras S.A. - ELETROBRAS.

The Brazilian National Treasury, on May 31, 2005, through the Concession Agreement No. 235/05, assigned and transferred to the Asset Management Company - EMGEA, part of the credit rights held against ITAIPU, under contract numbers 424/TN and 425/TN, an amount equivalent to US\$ 2,480.0 million. The said contract was fully paid in the financial year of 2014.

Also ceded by the Brazilian National Treasury, through concession agreements Nos. 808, 865 and 873/PGFN/CAF, of December 28, 2012, June 7, 2013, and July 11, 2013, the National Bank for Economic and Social Development - BNDES, credit rights held against ITAIPU, under contract numbers 424/TN and 425/TN, an amount equivalent to US\$ 3,851.8 million, US\$ 687.8 million and US\$ 239.8 million, respectively. The onlendings flows are to commence in 2020 for the Concession Agreement No. 808. The concession agreements No. 865 and 873 were fully paid in the financial year 2014.

The contract CT-7218/03 signed with FIBRA is provided by the Board of Directors Resolution 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.

Repayments of loans and long-term financing, with ELETROBRAS, the Brazilian National Treasury and other institutions provide the following annual amortizations:

<u>Year</u>	<u>US\$</u>
2017	1,412,927,890
2018	1,507,360,954
2019	1,607,726,586
2020	1,715,605,295
2021	1,831,629,706
2022 and 2023	2,036,212,913
TOTAL	<u><u>10,111,463,344</u></u>

Being settled by way of debt service, the following amounts related to interest commitments and repayments falling due in each year:

	US\$	
Financing entities	<u>2015</u>	<u>2014</u>
Eletrobras		
Principal	597,732,143	686,049,280
Charges	<u>280,906,347</u>	<u>327,897,281</u>
	<u>878,638,490</u>	<u>1,013,946,561</u>
Brazilian National Treasury		
Credit Assignment of Eletrobras		
Principal	634,433,233	463,440,390
Charges	<u>509,139,031</u>	<u>542,189,376</u>
	<u>1,143,572,264</u>	<u>1,005,629,766</u>
Brazilian National Treasury		
Foreign debt restructuring		
Principal	-	9,596,884
Charges	<u>7,586,671</u>	<u>7,930,085</u>
	<u>7,586,671</u>	<u>17,526,969</u>
Fibra		
Principal	2,562,423	3,118,677
Charges	<u>2,908,520</u>	<u>3,775,435</u>
	<u>5,470,943</u>	<u>6,894,112</u>
Cajubi		
Principal	6,470,623	5,991,317
Charges	<u>4,892,473</u>	<u>5,371,778</u>
	<u>11,363,096</u>	<u>11,363,095</u>
Other lenders		
Principal	10,017,384	-
Charges	<u>501,049</u>	<u>8,665</u>
	<u>10,518,433</u>	<u>8,665</u>
Total		
Principal	1,251,215,806	1,168,196,548
Charges	<u>805,934,091</u>	<u>887,172,620</u>
	<u>2,057,149,897</u>	<u>2,055,369,168</u>

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.

16. REMUNERATION AND REIMBURSEMENTS

These include commitments from Brazilian and Paraguayan Governments as well as ELETROBRAS and ANDE, as provided in the Treaty of ITAIPU, its Attachments and the respective Notes, as described in the Notes of the Statements of Operating Account - Attachment I.

	US\$					
	2015			2014		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Royalties						
Principal	20,365,025	10,112,346	30,477,371	17,822,552	9,181,977	27,004,529
Dollar adjustment	139,520,096	118,710,092	258,230,188	147,936,194	136,501,841	284,438,035
Subtotal	159,885,121	128,822,438	288,707,559	165,758,746	145,683,818	311,442,564
Remuneration for the electricity assignment						
Principal	-	45,640,245	45,640,245	-	54,963,401	54,963,401
Dollar adjustment	-	210,586,758	210,586,758	-	243,960,068	243,960,068
Subtotal	-	256,227,003	256,227,003	-	298,923,469	298,923,469
Reimbursement for Management and Supervision Charges						
Principal	1,429,131	1,429,131	2,858,262	1,370,966	1,370,966	2,741,932
Dollar adjustment	10,869,725	10,869,725	21,739,450	11,379,707	11,379,707	22,759,414
Subtotal	12,298,856	12,298,856	24,597,712	12,750,673	12,750,673	25,501,346
Yields from Capital						
Principal	6,000,000	6,000,000	12,000,000	6,000,000	6,000,000	12,000,000
Dollar adjustment	17,578,849	17,578,849	35,157,698	18,371,884	18,371,884	36,743,768
Subtotal	23,578,849	23,578,849	47,157,698	24,371,884	24,371,884	48,743,768
Total	195,762,826	420,927,146	616,689,972	202,881,303	481,729,844	684,611,147

Remuneration and reimbursements are due in equal parts to each Party or High Contracting Party, except for remuneration for electricity assignment, due to the fact only one High Contracting Party cedes power to the other.

In the financial year of 2015, as in 2014, the shares of the royalties owed to the Paraguayan Government, amounting to US\$ 31,062,683 and US\$ 20,074,928 respectively, payable at the beginning of the following financial years, were paid in full in December 2014 and 2015.

The balance payable for the remuneration for electricity assignment to the Paraguayan Treasury, US\$ 41,406,288 in 2015, and US\$ 77,421,869 in 2014 was due at the end of each financial year, due to non-transfer of amounts to ITAIPU by the Brazilian Ministry of Mines and Energy (note 7).

The resulting Dollar adjusted amounts generated in the year as royalties, reimbursement of management and supervision charges and costs and remuneration for electricity assignment are paid in 12 installments starting in March of the following financial year. The figures for the Dollar adjustment of income generated from investments 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 values must be offset against debts that ELETROBRAS and ANDE maintain together as ITAIPU, and can be anticipated if there are cash and cash equivalents available.

17. SUPPLIERS

	US\$	
	2015	2014
Suppliers	34,594,388	51,970,100
Withholding taxes	4,664,225	5,478,703
TOTAL	39,258,613	57,448,803

18. SALARIES AND SOCIAL CHARGES

	US\$	
	2015	2014
Provision for vacation and social security charges	27,649,260	36,581,915
Supplementary pension foundations	8,701,169	12,808,589
Payroll charges payable	3,807,758	5,141,553
Other	8,175,399	8,388,686
TOTAL	48,333,586	62,920,743

19. LABOR INDEMNITIES

	US\$	
	2015	2014
Permanent plan of voluntary dismissal - Brazil	58,828,686	82,627,635
Workers' Indemnity - Paraguay	225,865,201	287,208,752
TOTAL	284,693,887	369,836,387
(-) Long-term installments	264,709,742	346,449,977
Short-term installments	19,984,145	23,386,410

20. POST-EMPLOYMENT BENEFITS

The Entity maintains a retirement program and pensions for employees, which is 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.

Both the sponsor and beneficiaries, based on an actuarial study prepared by an independent actuary, 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, make contributions to the “defined benefit” plan.

The following benefits under the retirement and pension plan are as follows:

i) Employees hired in Brazil:

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

ii) Employees hired in Paraguay:

- a) Ordinary retirement and disability;
- b) Extraordinary retirement;
- c) Voluntary early retirement;
- d) Allowance for the family of the worker who is incarcerated
- e) Pension;
- f) Funeral assistance; and
- g) Annual bonus.

In addition to the retirement and pension plan, ITAIPU supports 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 has adopted the accounting practice of passive registry arising from actuarial liabilities with future employee benefits relative to the health care plan, and from 2009 on the retirement and pension plan.

For this, actuaries are hired that can base opinions on international accounting standards relating to both programs.

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

	BRAZIL		US\$ thousand PARAGUAY		TOTAL	
	2015	2014	2015	2014	2015	2014
Obligations recorded on the balance sheet - long-term						
Retirement plan benefits	-	-	595,061	925,903	595,061	925,903
Health plan benefits	242,177	402,769	299,831	430,740	542,008	833,509
	242,177	402,769	894,892	1,356,643	1,137,069	1,759,412
Provisions recognized in the statement of income for the years						
Retirement plan benefits	-	-	130,867	(84,536)	130,867	(84,536)
Health plan benefits	31,803	(10,134)	44,095	(29,326)	75,898	(39,460)
	31,803	(10,134)	174,962	(113,862)	206,765	(123,996)

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

	BRAZIL		PARAGUAY	
	2015	2014	2015	2014
<u>GENERAL DATA</u>				
Active participants	1,399	1,441	1,725	1,816
Retired participants	1,425	1,382	1,267	1,188
Pensioners	225	211	324	307
<u>ECONOMIC ASSUMPTIONS</u>				
Real discount rate (p.a.) - pension plan	7.22%	6.18%	5.50%	4.00%
Real discount rate (p.a.) - Health plan	7.22%	6.18%	7.22%	6.18%
Assets expected return rate (p.a.)	12.50%	10.96%	10.25%	8.68%
Real rate of wage developments (p.a.)	2.31%	2.31%	1.92%	1.92%
Real rate of growth in costs (p.a.)	2.00%	2.00%	2.00%	2.00%
Inflation	4.92%	4.50%	4.50%	4.50%
Benefits capacity factor	97.37%	97.58%	97.58%	-
<u>ACTUARIAL ASSUMPTIONS</u>				
General mortality table	AT-2000 (-20%)	AT-2000 (-20%)	AT-2000	AT-2000
Mortality table of individuals with permanent disability	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	AT-1983
Table of new disability benefit vested	Weak Light	Weak Light	Average Light	Average Light
Turnover table	0.13%	0.13%	0.50%	0.50%

a) Pension plan

STATEMENT OF ACTUARIAL SURPLUS (DEFICIT) OF DEFINED BENEFIT PENSION PLAN SPONSORED BY ITAIPU BINACIONAL VALUES IN US\$ THOUSANDS				
DESCRIPTION	FIBRA		CAJUBI	
	2015	2014	2015	2014
Fair value of the plan assets	773,952	1,031,330	274,589	240,613
Present value of the obligations	(725,612)	(1,024,936)	(869,650)	(1,232,808)
(Deficit) Actuarial surplus	<u>48,340</u>	<u>6,394</u>	<u>(595,061)</u>	<u>(992,195)</u>

In the financial year of 2009, an accounting provision was made for the relative total of the actuarial deficit of the pension plan of Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI that year.

From the financial year of 2010, this provision has been updated based on actuarial opinions issued annually.

ITAIPU is requesting clarification and measures of CAJUBI regarding its actuarial deficit and the measure being taken to remedy the situation.

Since November 2012, a number of actions were taken in order to improve Corporate Governance, the management and the funding of the Plan.

On August 7, 2014, through the Executive Board Resolution Number RDE 213/14, a multisector working group was set up, on the Paraguayan bank, to evaluate the technical, financial, and legal solutions for the actuarial deficit of CAJUBI and the actions to be taken in this regard.

For the pension plan Fundação ITAIPU BR de Previdência e Assistência Social - FIBRA no provisions were made in the Financial Statements of ITAIPU due to the positive actuarial results presented in 2015 and 2014.

For the purposes of information, data on pension funds, drawn from their respective Financial Statements, are presented in the tables below, converted to United States Dollars at the exchange rate of December 31, 2015, and 2014.

	US\$ thousand			
	FIBRA		CAJUBI	
	2015	2014	2015	2014
Current value of assets	760,137	1,016,394	274,589	306,721
Mathematical provisions				
Granted benefits	597,621	739,262	534,134	687,644
Benefits to be Granted	253,724	340,859	290,814	557,754
(-) Mathematical Reserves to be Recognized	(12,326)	(17,632)	(19,306)	(28,076)
	<u>839,019</u>	<u>1,062,489</u>	<u>805,642</u>	<u>1,217,322</u>
(Deficit) Surplus	<u>(78,882)</u>	<u>(46,095)</u>	<u>(531,053)</u>	<u>(910,601)</u>

b) Healthcare

STATEMENT OF THE ACTUARIAL VALUATION OF THE OBLIGATIONS REGARDING THE HEALTH PLAN SPONSORED BY ITAIPU BINACIONAL VALUES IN US\$ THOUSANDS

DESCRIPTION	BRAZIL		PARAGUAY	
	2015	2014	2015	2014
Fair value of the plan assets	-	-	-	-
Present value of the obligations				
Rights already due	175,947	275,805	217,929	297,258
Rights falling due	66,230	126,964	81,902	133,482
	<u>242,177</u>	<u>402,769</u>	<u>299,831</u>	<u>430,740</u>
Unrecognized gains (losses)	-	-	-	-
Recorded actuarial liability	<u>242,177</u>	<u>402,769</u>	<u>299,831</u>	<u>430,740</u>

The actuarial liabilities related to the health care plan are fully recognized in the sponsor's liabilities, ITAIPU, and these values are adjusted annually based on actuarial opinions.

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:

	In US\$ thousand							
	Liability amount 2015			Liability amount 2014				
	Discount rate used	Sensitivity analysis		Discount rate used	Sensitivity analysis			
		+ 0.5%	- 0.5%		+ 0.5%	- 0.5%		
Private pension plan - Brazil	7.22%	48,340	84,813	8,290	6.18%	6,394	61,620	(54,596)
Private pension plan - Paraguay	5.50%	(595,061)	(544,934)	(650,413)	4.00%	(992,195)	(910,573)	(1,083,294)
Healthcare Brazil	7.22%	(242,177)	(226,486)	(259,371)	6.18%	(402,769)	(374,403)	(434,730)
Paraguay Health Plan	7.22%	(299,831)	(282,797)	(318,639)	6.18%	(430,740)	(403,714)	(460,807)

21. PROVISION FOR LAWSUITS

The Entity is a party to judiciary proceedings, in the spheres of tax, civil, commercial, labor, and environmental laws that are in various stages of trial.

ITAIPU adopts the following procedure of classifying the causes filed against the Entity considering the risk of loss, based on the opinion of its legal departments:

- i) For causes where a negative outcome for the Entity has been considered “probable”, provisions are formed;
- ii) For causes where a negative outcome for the Entity has been considered “possible”, the corresponding information is disclosed in the Notes; and
- iii) For causes where a negative outcome for the Entity has been considered “remote”, these are not subject to formation of provisions or disclosure.

The accounting provisions relating to legal proceedings are made up of periodically updated values shown in the table below, to represent the best estimate of future disbursements based on reports issued by the legal departments of the Entity.

	US\$					
	2015			2014		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Short-term						
Tax	24,655,793	-	24,655,793	36,977,881	-	36,977,881
Civil	6,555,977	-	6,555,977	94,119	-	94,119
Commercial	5,791,275	18,060	5,809,335	7,600,203	22,619	7,622,822
Labor	28,283,102	4,629,193	32,912,295	43,176,168	4,462,139	47,638,307
Environmental	-	-	-	3,764,776	-	3,764,776
	65,286,147	4,647,253	69,933,400	91,613,147	4,484,758	96,097,905
Long-term						
Tax	6,394,902	-	6,394,902	8,298,360	-	8,298,360
Civil	522,464	-	522,464	491,017	-	491,017
Commercial	32,793,241	323,213	33,116,454	48,187,565	404,799	48,592,364
Labor	8,632,252	7,774,228	16,406,480	12,154,407	563,538	12,717,945
	48,342,859	8,097,441	56,440,300	69,131,349	968,337	70,099,686
Total	113,629,006	12,744,694	126,373,700	160,744,496	5,453,095	166,197,591

Judicial proceedings underway in Brazil and Paraguay that are classified as "possible" for loss, for which no accounting provision has been made, are shown in the table below:

	US\$					
	2015			2014		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Tax	4,035,626	-	4,035,626	5,932,694	-	5,932,694
Civil	11,524	-	11,524	8,602,085	-	8,602,085
Commercial	140,874,182	7,971,401	148,845,583	205,505,877	10,803,912	216,309,789
Labor	-	24,955,663	24,955,663	-	23,574,478	23,574,478
Environmental	2,561,216	34,552	2,595,768	-	-	-
Total	147,482,548	32,961,616	180,444,164	220,040,656	34,378,390	254,419,046

22. OTHER LIABILITIES

	US\$	
	2015	2014
Agreements	14,997,623	1,080,852
Contractual retentions	2,656,230	2,006,328
Sundry creditors	2,963,511	3,361,294
Other	312,355	13,996
TOTAL	20,929,719	6,462,470
(-) Long-term installments	2,963,511	3,361,294
Short-term installments	17,966,208	3,101,176

The description and the movement of the main covenants are contained in Note 11.

23. CAPITAL

According to the provisions of the Treaty and in Attachment "A" - Statute, the capital of ITAIPU, equivalent to US\$ 100 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.

24. OPERATING INCOME

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 Administración Nacional de Electricidad - ANDE, performs the acquisition of ITAIPU's electricity services.

Income from the provision of contracts for electricity services totaled in the financial year of 2015 US\$ 3,291,012,000 (equal to 2014), which corresponds to the billing of 145,620 MW contracted in the year (equal to 2014).

The rate adopted in 2015 was US\$ 22.60/kW per month, the same as in 2014.

The energy supplied to the Purchasing Entities in 2015 was 88,575 GWh (87,165 GWh in 2014).

	US\$ thousand					
	2015			2014		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Supply of power	2,965,537	325,475	3,291,012	2,994,641	296,371	3,291,012
Remuneration for energy transfer	313,420	*	313,420	318,375	*	318,375
Reimbursement of costs - non-bound energy	57,767	18,603	76,370	46,888	24,088	70,976
Total	3,336,724	344,078	3,680,802	3,359,904	320,459	3,680,363
Billed power - kW	131,218,467	14,401,533	145,620,000	132,506,228	13,113,772	145,620,000
Guaranteed energy - MWh	67,773,185	7,361,335	75,134,520	68,577,070	6,557,450	75,134,520
Energy supplied - MWh	77,938,693	10,636,323	88,575,016	76,521,579	10,643,608	87,165,187

25. OPERATING EXPENSES - REMUNERATION AND REIMBURSEMENTS

These include the remuneration and reimbursement as provided in Attachment "C" to the Treaty and its Notes (see Notes for the Operating Account Statements - Attachment I), due in 2015 and in 2014, the High Contracting Parties, royalties and remuneration for electricity assignment, and to ELETROBRAS and ANDE, capital income and compensation of management and supervision charges.

	US\$					
	2015			2014		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Yields from Capital						
Principal	(6,000,000)	(6,000,000)	(12,000,000)	(6,000,000)	(6,000,000)	(12,000,000)
Dollar adjustment	(17,559,725)	(17,559,725)	(35,119,450)	(18,392,407)	(18,392,407)	(36,784,814)
Subtotal	(23,559,725)	(23,559,725)	(47,119,450)	(24,392,407)	(24,392,407)	(48,784,814)
Royalties						
Principal	(115,147,520)	(115,147,520)	(230,295,040)	(113,314,743)	(113,314,743)	(226,629,486)
Dollar adjustment	(118,502,625)	(118,502,625)	(237,005,250)	(125,287,590)	(125,287,590)	(250,575,180)
Subtotal	(233,650,145)	(233,650,145)	(467,300,290)	(238,602,333)	(238,602,333)	(477,204,666)
Reimbursement of Admin and Supervision Charges						
Principal	(8,857,502)	(8,857,502)	(17,715,004)	(8,716,519)	(8,716,519)	(17,433,038)
Dollar adjustment	(9,115,586)	(9,115,586)	(18,231,172)	(9,637,507)	(9,637,507)	(19,275,014)
Subtotal	(17,973,088)	(17,973,088)	(35,946,176)	(18,354,026)	(18,354,026)	(36,708,052)
Remuneration for electricity assignment						
Principal	-	(154,458,939)	(154,458,939)	-	(151,189,943)	(151,189,943)
Dollar adjustment	-	(158,960,960)	(158,960,960)	-	(167,184,861)	(167,184,861)
Subtotal	-	(313,419,899)	(313,419,899)	-	(318,374,804)	(318,374,804)
Total	(275,182,958)	(588,602,857)	(863,785,815)	(281,348,766)	(599,723,570)	(881,072,336)

26. 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 costs of a social and environmental nature.

	US\$	
	<u>2015</u>	<u>2014</u>
Personnel		
Remuneration, social security charges and benefits	<u>(381,843,926)</u>	<u>(557,502,289)</u>
	<u>(381,843,926)</u>	<u>(557,502,289)</u>
Actuarial provisions		
Pension and health plans	<u>206,765,665</u>	<u>(123,996,093)</u>
	<u>206,765,665</u>	<u>(123,996,093)</u>
Material		
Consumption materials	<u>(15,177,339)</u>	<u>(13,827,348)</u>
	<u>(15,177,339)</u>	<u>(13,827,348)</u>
Services		
Outsourced services	<u>(64,111,824)</u>	<u>(71,398,321)</u>
Training	<u>(1,624,493)</u>	<u>(2,162,231)</u>
Insurance	<u>(3,829,994)</u>	<u>(4,081,609)</u>
	<u>(69,566,311)</u>	<u>(77,642,161)</u>
Social and environmental expenses		
Social, environmental and regional integration	<u>(93,986,182)</u>	<u>(97,036,666)</u>
	<u>(93,986,182)</u>	<u>(97,036,666)</u>
Lawsuits		
Expenses	<u>(4,884,515)</u>	<u>(50,646,983)</u>
Provisions	<u>(13,346,144)</u>	<u>74,473,567</u>
	<u>(18,230,659)</u>	<u>23,826,584</u>
Other expenses		
Other expenses	<u>(21,825,209)</u>	<u>(30,095,259)</u>
	<u>(21,825,209)</u>	<u>(30,095,259)</u>
TOTAL	<u><u>(393,863,961)</u></u>	<u><u>(876,273,232)</u></u>

27. OTHER INCOME (EXPENSES)

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

	US\$	
	2015	2014
Sundry income		
Disposals	3,107,551	7,467,178
Real estate occupancy rates	792,280	1,320,626
Contractual interest and fines	940,171	15,489
Other	58,772	78,259
	<u>4,898,774</u>	<u>8,881,552</u>
Sundry expenses		
Write-offs of goods and facilities	(18,017,405)	(58,155,422)
Discounts granted	(23,394)	(333,016)
Fines expenses	(5,856)	(11,474)
Other	(226,654)	(84,619)
	<u>(18,273,309)</u>	<u>(58,584,531)</u>
	<u>(13,374,535)</u>	<u>(49,702,979)</u>

28. FINANCIAL EXPENSES - MONETARY VARIATIONS

	US\$	
	2015	2014
Loans and financing		
FIBRA	<u>7,185,543</u>	<u>1,927,269</u>
Other exchange variations		
Current assets	(104,188,422)	(25,748,526)
Non-current assets	(5,255,900)	(2,848,526)
Current liabilities	36,646,364	11,901,948
Non-current liabilities	452,623,672	70,503,142
	<u>379,825,714</u>	<u>53,808,038</u>
	<u>387,011,257</u>	<u>55,735,307</u>

29. INSURANCE

The main property, plant and equipment in service are insured in accordance with the insurance policy approved by the Board of Directors of the Entity in 1992, which aims to ensure the following coverage:

- a) Insurance for all goods installed in Hydroelectric Power Plant, with the coverage type "All Risks" with an insured amount of US\$ 2,354,488,693.
- b) Operating liability insurance for the Hydroelectric Power Plant, with the insured amount of US\$ 20,000,000.

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: fire at its administrative facilities, civil and hull liability for vehicles, aircraft hull coverage, civil liability, crew and passengers, boats, personal accident insurance for tourists that visit ITAIPU, civil liability of management and group life insurance for its employees, as shown in the table below:

Description	Coverage - in US\$
Fire	134,317,000
Vehicles	Civil and hull liability - 81.609.100
Vessels	Compulsory insurance for personal injury caused by ships or their cargo - DPEM.
Personal Tourists Accident	Death, disability, medical and hospital expenses.
Management civil liability - D&O	10,000,000
Aircraft	1,147,000
Group Life	For the employee: Thirty basic wages, limited to 15 salaries of the highest level of the salary scale of ITAIPU. For the spouse: Coverage of 50%, limited to five salaries of the highest level of the pay scale.

30. FINANCIAL INSTRUMENTS

The estimated market values of financial assets and liabilities of the Entity were calculated through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate market value. Consequently, the following estimates do not necessary represent the amounts that could be realized on

the current exchange market. The use of different market methodologies may have a material effect on the estimated market value.

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 make any speculative investments in derivatives or any other risk assets.

a) Breakdown of balances

The accounting balances and the market values of the financial instruments included in the consolidated balance sheet at December 31, 2015 are shown below:

	US\$	
	Book value	Market value
Assets		
Cash and bank accounts	1,007,989	1,007,989
Interest earning bank deposits	301,935,441	301,935,441
Trade accounts receivable	950,689,088	950,689,088
Liabilities		
Loans and financing	(11,435,883,084)	(11,435,883,084)
Remuneration and reimbursements	(616,689,972)	(616,689,972)

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

(i) Cash, bank accounts, and financial investments

The cash, current account and financial investment balances and interest earning bank deposits held in banks have market values similar to the book values.

(ii) Trade accounts receivable

The balance of accounts receivable has its market value close to the book balances owing to its short-term nature.

(iii) Derivatives

The Entity has a policy of zero exposure to market risks and avoids assuming positions exposed to fluctuations in short-term exchange rates, operating only with instruments that control these risks. In accordance with its financial policies, the Entity does not perform operations involving financial instruments on a speculative basis. On December 31, 2015, the Entity did not have any *forward* and/or *swap* contracts open.

31. RELATED PARTIES

The most significant transactions with related parties carried out by the Entity in 2015 and 2014, include energy sales, loans obtained, obligations under Attachment "C" of the Treaty of ITAIPU and obligations related to pension funds, as shown in the following:

	US\$ thousand				
	2015				
	ELETROBRAS	ANDE	FIBRA	CAJUBI	TOTAL
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Trade accounts receivable	675,702	91,233	-	-	766,935
Agreements	-	17,636	-	-	17,636
Total	675,702	108,869	-	-	784,571
LIABILITIES					
Loans and financing	(3,790,753)	-	(20,764)	(59,821)	(3,871,338)
Remuneration and reimbursements	(35,878)	(35,878)	-	-	(71,756)
Pension contributions	-	-	(2,089)	(6,612)	(8,701)
Actuarial obligations	-	-	-	(595,061)	(595,061)
Total	(3,826,631)	(35,878)	(22,853)	(661,494)	(4,546,856)
INCOME (LOSS)					
INCOME					
Service fee income	3,127,777	344,078	-	-	3,471,855
Financial income	-	354	-	-	354
Total	3,127,777	344,432	-	-	3,472,209
EXPENSES					
Financial expenses	(280,906)	-	(2,909)	(3,780)	(287,595)
Remuneration and reimbursements	(41,533)	(41,533)	-	-	(83,066)
Pension contributions	-	-	(17,634)	(36,511)	(54,145)
Actuarial expenses	-	-	-	130,867	130,867
Total	(322,439)	(41,533)	(20,543)	90,576	(293,939)

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

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.

Itaipu and Tesai Health Foundations

The Ministro Costa Cavalcanti Hospital - HMCC, in Brazil and ITAIPU Margem Direita Hospital, in Paraguay, were built originally by Itaipu Binacional to cater for the workers hired for the construction and operation of Hydroelectric Power Plant.

To optimize the use of these hospitals as per its regional integration policy, ITAIPU decided to extend hospital services to the local communities. 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 Margem Direita 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 the ITAIPU Technology Park that contributes to regional development in a sustainable way, through activities that foster institutional, scientific, technological development and innovation, the dissemination of knowledge, professional training, and the generation of companies, interacting for these purposes, with public and private entities, academic and research, development and production.

Remuneration of key management personnel

The compensation, charges and benefits related to the Management's key personnel are presented as follows.

	US\$ thousand	
	2015	2014
Remuneration of board members and officers	(6,165)	(7,287)
Social charges	(625)	(732)
Benefits	(990)	(1,210)
	<u>(7,780)</u>	<u>(9,229)</u>

32. REGULATORY PROVISIONS

Regarding judgment number 88/2015-Plenario-TCU of January 28, 2015, ITAIPU adds, preliminarily, that it is not contrary to any new external control mechanisms, since it faithfully observes the Brazilian Federal Constitution, especially Article 71, V, and Legislation, including the Treaty of ITAIPU and the Vienna Convention on Treaties, which is why prior understandings and diplomatic means are necessary between the two national governments.

ITAIPU has a duty to inform, that also: a) since the 1970s the question of the possibility of unilateral control by the TCU of ITAIPU has been intermittently raised, always with the prevailing view that it is legally infeasible; b) there are no "national accounts" in ITAIPU and the Treaty of ITAIPU, or, moreover, the diplomatic instrument does not provide for the control of by the TCU; c) the judgment cited is not definitive and is in effect suspended by opposition of the Declaration Embargoes and may even suffer modification by TCU or by court; d) ITAIPU believes that in effect is judgment 279/95-Plenario-TCU, which interprets and properly implements Article 71, V, of the Federal Constitution; e) the matter is sub judice, a civil action originating Number 1905-PR, in process in Federal Supreme Court (STF), in which the Attorney General has issued an opinion of the impossibility of unilateral enforcement of TCU. The Republic of Paraguay and the Federal Government, which are part of this action, have the same position; f) a judicial final decision in the Supreme Court of Justice (judgment 280/2011) which has essentially the same conclusion; g) there are numerous legal official events, doctrinal, legal, technical, including the TCU itself, which support the understanding of ITAIPU and calls into question the conclusions of judgment number 88/2015.

* * * * *



SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

STATEMENT OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
GENERATION OF ADDED VALUE		
Income		
Supply of power	3.291.012.000	3.291.012.000
Remuneration for electricity assignment	313.419.899	318.374.804
Reimbursement of costs - non-bound energy	76.369.446	70.975.712
Sundry income (expenses)	(13.374.535)	(49.702.979)
	<u>3.667.426.810</u>	<u>3.630.659.537</u>
(-) Inputs acquired from third parties		
Material	17.170.286	17.901.251
Outsourced services	99.502.987	101.961.380
Other operating expenses	102.112.427	74.912.219
	<u>218.785.700</u>	<u>194.774.850</u>
GROSS ADDED VALUE	<u>3.448.641.110</u>	<u>3.435.884.687</u>
(+) Added value received as transfer		
Financial income	47.641.371	62.651.745
ADDED VALUE PAYABLE	<u>3.496.282.481</u>	<u>3.498.536.432</u>
DISTRIBUTION OF ADDED VALUE		
Remuneration:		
Labor		
Direct remuneration	236.202.483	294.442.152
Benefits	139.241.005	164.906.101
Post-employment benefits	(206.765.665)	123.996.093
Labor indemnities	(29.984.715)	51.200.778
FGTS	5.182.175	6.920.204
	<u>143.875.283</u>	<u>641.465.328</u>
Government		
INSS and IPS	31.202.978	40.033.054
Royalties	467.300.290	477.204.666

SUPPLEMENTARY INFORMATION

STATEMENT OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
Remuneration for electricity assignment	313.419.899	318.374.804
	<u>811.923.167</u>	<u>835.612.524</u>
Third-party capital		
Debt charges	804.342.107	885.738.220
Monetary variations	(387.011.257)	(55.735.307)
Other financial expenses	4.213.780	2.145.628
	<u>421.544.630</u>	<u>832.148.541</u>
Own capital		
Yields from Capital	47.119.450	48.784.814
Reimbursement management and supervision charges	35.946.176	36.708.052
	<u>83.065.626</u>	<u>85.492.866</u>
Income (loss) for the year	<u>2.035.873.775</u>	<u>1.103.817.173</u>
DISTRIBUTED ADDED VALUE	<u><u>3.496.282.481</u></u>	<u><u>3.498.536.432</u></u>

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
FROM OPERATING ACTIVITIES		
Income (loss) for the year	2.035.873.775	1.103.817.173
Adjustments of income (loss)		
Writes-off of fixed assets	18.017.405	58.155.422
Monetary restatements - loans	(7.185.542)	(1.927.269)
Monetary restatements - estimated obligations	(452.623.672)	(70.503.142)
Liability provisions		
Financial charges - loans	804.470.151	885.768.845
Estimated obligations	(248.612.880)	69.969.179
Adjusted income (loss)	<u>2.149.939.237</u>	<u>2.045.280.208</u>
Changes in assets and liabilities		
Changes in trade accounts receivable	40.140.941	16.490.493
Changes in storeroom	(188.172)	164.362
Changes in other receivables	3.058.047	14.326.704
Changes in remuneration and reimbursements	(67.921.175)	(28.882.569)
Changes in suppliers and other liabilities	(3.722.941)	(2.475.056)
Changes in salaries and social security charges	(14.587.157)	4.001.555
Changes in estimated obligations	(46.072.732)	(34.155.277)
	<u>(89.293.189)</u>	<u>(30.529.788)</u>
Net operating cash flow	<u>2.060.646.048</u>	<u>2.014.750.420</u>
FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(25.635.436)	(41.455.814)
Cash and cash equivalents in investment activities	<u>(25.635.436)</u>	<u>(41.455.814)</u>
FROM FINANCING ACTIVITIES		

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
Loans and financing obtained	11.132.250	8.660.000
Amortization of loans and financing	(1.251.215.806)	(1.168.196.548)
Payment of interest on loans and financing	(805.934.091)	(887.172.620)
Cash and cash equivalents in financing activities	<u>(2.046.017.647)</u>	<u>(2.046.709.168)</u>
TOTAL EFFECTS ON CASH AND CASH EQUIVALENTS	<u>(11.007.035)</u>	<u>(73.414.562)</u>
Cash and cash equivalents at the beginning of the period	313.950.465	387.365.027
Cash and cash equivalents at the end of the period	<u>302.943.430</u>	<u>313.950.465</u>
Changes in cash and cash equivalents	<u>(11.007.035)</u>	<u>(73.414.562)</u>

SUPPLEMENTARY INFORMATION

STATEMENT OF OPERATING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
INCOME		
Income from contracts for the provision of electricity services:		
Brazilian purchasing entity	2.965.537.354	2.994.640.753
Paraguayan purchasing entity	325.474.646	296.371.247
Remuneration for electricity assignment	313.419.899	318.374.804
Reimbursement of costs - non-bound energy	<u>76.369.446</u>	<u>70.975.712</u>
Total income	<u>3.680.801.345</u>	<u>3.680.362.516</u>
LESS:		
REMUNERATION FOR ELECTRICITY ASSIGNMENT	<u>(313.419.899)</u>	<u>(318.374.804)</u>
COST OF ELECTRICITY SERVICE		
Remuneration and reimbursement to the High Contracting Parties and the Parties that constitute ITAIPU:		
Yields from Capital	(47.119.450)	(48.784.814)
Bound energy		
Royalties	(396.385.804)	(411.298.648)
Reimbursement of management and supervision charges	<u>(30.491.216)</u>	<u>(31.638.358)</u>
	<u>(426.877.020)</u>	<u>(442.937.006)</u>
Non-bound energy		
Royalties	(70.914.486)	(65.906.018)
Reimbursement of management and supervision charges	<u>(5.454.960)</u>	<u>(5.069.694)</u>

SUPPLEMENTARY INFORMATION

STATEMENT OF OPERATING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
	<u>(76.369.446)</u>	<u>(70.975.712)</u>
	<u>(550.365.916)</u>	<u>(562.697.532)</u>
Amortization of loans and financing	<u>(1.240.044.934)</u>	<u>(1.166.850.726)</u>
Financial charges on loans and financing	<u>(804.669.091)</u>	<u>(885.947.292)</u>
Exploration expenses		
Personnel	(448.700.507)	(557.907.730)
Machinery and equipment	(27.549.342)	(35.185.523)
Outsourced services	(101.653.126)	(113.380.027)
Other exploration expenses	(88.903.536)	(96.886.045)
	<u>(666.806.511)</u>	<u>(803.359.325)</u>
Total cost of electricity service	<u>(3.261.886.452)</u>	<u>(3.418.854.875)</u>
OPERATING ACCOUNT RESULTS FOR THE FINANCIAL YEAR	<u>105.494.994</u>	<u>(56.867.163)</u>
Prior year balance	(75.147.151)	(170.207.551)
Financial income and Sundry	6.743.625	151.927.563
ACCUMULATED INCOME (LOSS) FROM OPERATING ACCOUNT	<u>37.091.468</u>	<u>(75.147.151)</u>

NOTES OF THE STATEMENTS OF THE OPERATING ACCOUNTS

AS OF DECEMBER 31, 2015 AND 2014

Attachment "C" of the Treaty of ITAIPU, Financial Bases and Provision of Electricity Services, states that the Operating Account is represented by the annual balance between Income and the Electricity Service Cost, calculated according to the following criteria:

a) Income

This arises from the provision of electricity services, through a Letter of Commitment signed with Centrais Elétricas Brasileiras S.A. - ELETROBRAS, Brazil, and Letter of Agreement signed with Administración Nacional de Electricidad - ANDE, in Paraguay, according to item IV of Attachment "C" of the Treaty, the Electricity Service Cost must be the same each year.

The Board of Directors of ITAIPU fix the unit cost of the electricity service as per the conditions set out in the signed documents.

b) Cost of Electricity Service

According to the item III of Attachment "C" of the Treaty and the Notes 3 and 4 of January 28, 1986, and 10 of November 13, 2000, exchanged between the Brazilian and Paraguayan Ministries of Foreign Affairs, the Electricity Service Cost consists of the following items:

- Remuneration and reimbursements to the High Contracting Parties and the Parties that constitute ITAIPU, as follows:

Yields from capital - calculated at the equivalent of 12% per year on the participation of Centrais Elétricas Brasileiras S.A. - ELETROBRAS and the Administración Nacional de Electricidad - ANDE of the paid capital. From January 2001, these were updated according to Note 10 of November 13, 2000.

Royalties - Calculated at the equivalent of 650 United States Dollars per gigawatt hours generated and measured in Hydroelectric Power Plant, and should not be less than 18 million Dollars per year, at the rate of half to each High Contracting Party.

Reimbursement of Management and Supervision Charges - Calculated at the equivalent of 50 United States Dollars per gigawatt hours generated and measured in Hydroelectric Power Plant, due in equal parts to Centrais Elétricas Brasileiras S.A. - ELETROBRAS and Administración Nacional de Electricidad - ANDE

Remuneration for electricity assignment - Calculated at the equivalent of 300 United States Dollars per gigawatt hours generated, transferred to the other High Contracting Party.

The Notes 3 and 4, both of January 28, 1986, exchanged between the Brazilian and Paraguayan Ministries of Foreign Affairs, provide that the amount of compensation will be included only in the rate to be paid by the Party that consumes the ceded energy.

The values of the royalties, the Reimbursement of Management and Supervision Charges and remuneration for electricity assignment, calculated in accordance with the above, were multiplied, from the financial year of 1992, by a factor of 4.00 (four whole) where from 2006, according to the agreement in the exchange of Notes between the two governments, Brazilian and Paraguayan, on December 8, 2005, was established in item III. 8 of Attachment "C" of the Treaty for remuneration for electricity assignment are to be multiplied by a factor of 5.10 (five whole and one-tenth).

From May 14, 2011, as agreed by the 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 compensation for energy from ITAIPU ceded to Brazil, paid to the Government of the Republic of Paraguay, went from 5.10 (five whole and one-tenth) to 15,30 (fifteen whole and three-tenths).

These costs will be kept constant as per the formula set out in Note 3, according to the following adjustment factors:

Year	Original factor (A)	Adjustment factor (B) *	Adjusted factor (A x B)
1985	3.50	-	-
1986	3.50	-	-
1987	3.58	103.161	369.316
1988	3.66	107.050	391.803
1989	3.74	112.344	420.167
1990	3.82	117.452	448.667
1991	3.90	120.367	469.431
1992	4.00	122.699	490.796
1993	4.00	125.442	501.768
1994	4.00	127.941	511.764
1995	4.00	132.219	528.876
1996	4.00	135.174	540.696
1997	4.00	137.073	548.292
1998	4.00	136.668	546.672
1999	4.00	139.071	556.284
2000	4.00	145.725	582.900
2001	4.00	148.488	593.952
2002	4.00	148.082	592.328
2003	4.00	153.284	613.136
2004	4.00	159.690	638.760
2005	4.00	168.959	675.836
2006	4.00	176.153	704.610
2006	5.10	176.153	898.378
2007	4.00	181.921	727.684
2007	5.10	181.921	927.797
2008	4.00	194.133	776.534
2008	5.10	194.133	990.080
2009	4.00	185.365	741.460
2009	5.10	185.365	945.362
2010	4.00	193.060	772.240
2010	5.10	193.060	984.606
2011	4.00	203.768	815.072
Jan-May 2011	5.10	203.768	1.039.217
May-Dec 2011	15.30	203.768	3.117.650
2012	4.00	205.866	823.464
2012	15.30	205.866	3.149.750
2013	4.00	207.836	831.344
2013	15.30	207.836	3.179.891
2014	4.00	210.189	840.756
2014	15.30	210.189	3.215.892
2015	4.00	203.094	812.376
2015	15.30	203.094	3.107.338

(*) 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".

- Amortization of loans and financing: This refers to contractual obligations amortized in the financial year, with companies and financial institutions in Brazil and other countries.
- Financial charges on loans and financing: These represent the amounts of charges paid to companies and financial institutions in Brazil and abroad, incurred up to the date of the balance sheet.

From the financial year of 2012, amortizations and payments of charges on loans of 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 addition 2 of the Convention 5,808/99.

From the financial year of 2014, amortizations and payments of charges of Banco ITAU Paraguai 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.

- Exploration expenses: These consist of all expenses attributable to the provision of electricity services, including direct costs of operation and maintenance, in addition to replacements caused by normal wear and tear of equipment, insurance, administration, and overheads.
- Accumulated results of the Operating Account: Comprises the result, profit or loss, of the Operating Account for the financial year, plus or minus the balance of the previous year.

* * * * *

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014

----- - Jorge Miguel Samek Brazilian Director General	----- James Spalding Hellmers Paraguayan General Director
----- - Airton Langaro Dipp Executive Technical Director	----- José María Sánchez Tillería Technical Director
----- - Cezar Eduardo Ziliotto Chief Legal Officer/General Counsel	----- Luis Alberto Breuer González Executive Legal Director
----- - Marcos Antonio Baumgartner Administrative Director	----- Carlos Jorge Paris Ferraro Executive Managing Director
----- - Margaret Mussoi Luchetta Groff Chief Financial Director	----- Miguel Ángel Gómez Acosta Financial Director
----- - Nelton Miguel Friedrich Coordination Director	----- Francisco Pedro Domaniczky Lanik Executive Director of Coordination
----- - Salomão Galperin Assistant Superintendent of Budget and Accounting	----- Luis Ricardo Molinas Acosta Superintendent of Budget and Accounting
----- - Simone Rogoginski Accountant - CRC PR-045809/O-2	----- - Celia Cristina Martinez Colman ACCOUNTING DEPARTMENT