
International Conference Call - ITAÚSA

FY 2002 RESULTS

March 19, 2003

Operator: Good morning ladies and gentlemen, thank you for standing by. At this time all lines are in a listen only mode. Later there will be a question and answer session. Instructions will be given at that time. If you should require any kind of assistance during the call please press star, zero (*0). As a reminder, this conference is being recorded. At this time I'd like to turn the conference over to Curtis Smith from Thomson Financial. Please go ahead, sir.

Mr. Curtis Smith: Good morning ladies and gentlemen and welcome to Itaúsa's conference call to discuss 2002 results. I would like to mention that a slide presentation has also been made available on the company's website at www.itausa.com.br, in the English section of the site. Questions to the executives may also be sent by e-mail.

Before proceeding let me mention that forward-looking statements are being made under the safe harbor of the Security Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks, and other factors.

With us today in São Paulo this morning are Henri Penchas, Investor Relations Director of Itaúsa and CFO of Banco Itaú, Ricardo Egydio Setubal, Investor Relations Director of Itautec-Philco, Álvaro Penteado de Castro, Investor Relations Manager of Duratex, and Reinaldo Rubbi, Investor Relations Director of Elekeiroz.

First Mr. Penchas will comment on the 2002 results. Afterwards, the Management will be available for a question and answer session.

It is now my pleasure to turn the call over to the management. Mr. Penchas, you may now begin.

Mr. Henri Penchas: Good morning. We are pleased to be with you to present the main results of 2002 of Itaúsa. I have here with me Mr. Ricardo Egydio Setubal, Investor Relation Director of Itautec-Philco; Mr. Reinaldo Rubbi, Investor Relations Director of Elekeiroz and Mr. Alvaro Penteado de Castro, Investor Relations Manager of Duratex.

Let's move to slide #2: this presentation is split in four segments that I intend to cover in twenty minutes and after that we are open to the questions you may have.

Slide#3: evolution of the liquidity of Itaúsa defines that current assets plus long-term receivables on current liabilities and long-term liabilities; actual index is almost 2.0 from 0.60 in the year 2000. So look at the high increase of the general liquidity index of Itaúsa.

Slide #4 very low debt, historical very low debt of Itaúsa and still being reduced. Please look at the evolution of the debt and the net debt index, in the last three years.

Let's move to slide #5; net worth in comparison with total liabilities, the 2002 net worth represents 95% of the total liabilities, the other 5% represented by R\$ 331 million, comprises R\$ 312 million of dividends to be paid to the shareholders.

Next slide, slide #6, dividends received from Banco Itaú. The red bar and the blue bar, the dividends paid by Itaúsa. So we are paying at least the amount received from Banco Itaú as we said to our shareholders in the last conferences.

Next slide, slide #7 – return on equity, parent company, minorities and the conglomerate, please look at the evolution of the numbers and of the parent company. The parent company in the year of 2002 – return on equity of 24.1% coming from 23.4% in 2001 and 21.5% in the year 2000.

Let's talk a little bit now, of the performance of the main subsidiaries in the slide #9. Here we can see the distribution to the equity of the investments of Itaúsa in the sectors where we have investments. The year 2002, from a total equity income of R\$ 1.8 billion, 93.8% or R\$ 1.742 billion came from the financial area and R\$ 92 million came from the industrial area. Look at the evolution of the industrial area from R\$ 33 million in 2001 to R\$ 92 million, in the year 2002.

Let's move to the slide #10: total assets evolution since 97, from Banco Itaú with a compound annual growth rate of 19.1%; Duratex: 9%; Itautec-Philco, 2.2% and the chemical area, Elekeiroz with 16.7%.

Slide #11, growth of the equity of the four main investments; Banco Itaú compound annual growth rate of 16.6; Duratex, 7.9%; Itautec-Philco, 2.1%; Elekeiroz, 9.2%.

Slide #12, net income: Banco Itaú, R\$ 2.377 billion in 2002, including an extraordinary expense of the amortization of the goodwill mainly, the acquisition of the Bank BBA in the year 2002 of R\$ 700 million net of income taxes; Duratex, R\$ 72 million in the year 2002, and that also after considering R\$ 29 million in extraordinary expenses due to the investments in Deca Piazza, in Argentina; Itautec-Philco, R\$ 53 million in 2002 and Elekeiroz with R\$ 37 million in the year 2002.

Slide #13, return on equity: the Bank, 26.3%, including the extraordinary items; Duratex 79.9%; Itautec-Philco, 17.3%; Elekeiroz, 20.4% of return on equity in the year 2002.

Slide #14, I believe at this point It's important to talk a little bit about Banco Itaú Holding Financeira. In a general shareholders meeting of November, we decided to create a financial holding company as a bank. This bank will begin having its shares traded in the stock market next Monday 24th of March, in Brazil and in New York, in the New York stock exchange the ADRs, the former ADR's of Itaú, now ADRs of the Banco Itaú Holding Financeira. Nothing will change to the shareholders, the rights, the quantity of shares, the participation in the capital stock. All the government standards of Banco Itaú were already transferred to Banco Itaú Holding Financeira.

In the first moment, Banco Itaú Holding Financeira, will have two main investments: one, the Banco Itaú with all the investments that we have today, with the banks abroad, with the financial company, with the mortgages, with the private bank, middle market and Itaú-BBA, with the corporate operations and the investment bank operations. 10th March to one week and half ago, we began the operations of Banco Itaú-BBA. After we transferred 190 top executives of the corporate area and the investment bank area of Banco Itaú, to Itaú-BBA. So 24th March will begin the trade of the shares of Banco Itaú Holding Company in the BOVESPA and the New York Stock Exchange.

Let's move to slide #16 where we'll talk a little bit about the consolidated Itaúsa. In the slide 16 we can see the evolution of the net income of Itaúsa, of the parent company and of the minority in the consolidated company. So we can see that in the year of 2002, we had a net income, total net income of the conglomerate of R\$ 2.9 billion and that after the amortization of R\$ 786 million of goodwill of the small part of the shares of the Banco do Estado de Goiás, that were acquired in the year 2002 of R\$ 50 million of Ciquine, that petrochemical company that was acquired by Elekeiroz and of the Bank BBA that was acquired by Banco Itaú. As you can see the compound annual growth rate of the net income of the parent company Itaúsa since 97 is the very good number of 23.4%.

Let's move to next slide, slide #17 where we can see the consistent growth in equity and net income of the conglomerate. We can see also in the red ball, the total dividends paid from 95 to 2002, of 1.6 billion and the capital increase by cash that we have in this period of R\$ 0.5 billion.

Let's talk a little bit about the Itaúsa in the stock market, page, slide #19. Corporate governance – all the companies, Itaúsa and all the companies controlled by Itaúsa, we consider the tag along for our shareholders – Itaúsa, Banco Itaú, Duratex, Itautec and Elekeiroz. We had in Itaúsa the second meeting with analysts, we adopted a trading and disclosure policies and we received the ANIMEC seal, the National Association of Capital Market's Investors, due to our corporate governance policies in 2002. Banco Itaú has exactly the same things than Itaúsa and also independent board members, independent fiscal council and a lot of other corporate governance that were introduced by Banco Itaú, that is considered one of the leaders in Brazil in these aspects.

Slide #20 where we can see the evolution of US\$ 100 invested in the shares of Itaúsa, the red numbers in ten years we have an average appreciation, annual compound appreciation of 20.99% of Itaúsa, which were investments of dividends or 15.76% without the reinvestments of dividends. During the same period the Ibovespa increased only 7.66%. The last five years, 6.64% for Itaúsa appreciation in Dollar terms, against a devaluation of 18.97% of the Brazilian market. In the year 2002, devaluation of 33.5% in Dollars against a 45% for the Brazilian market.

Slide #21 growth of the number of trades and the traded volumes of shares of Itaúsa and with a huge compound annual growth rate in the last years.

Slide #22, the discount in the price of Itaúsa, in comparison with the sum of the parts; If we look the sum of the parts at the market value, the price, the actual price of the stock of Itaúsa is undervalued in 46%.

Next slide, 23, we can see the total dividends and interest on capital paid by Itaúsa since 99, in the red numbers, of the year of 2002 we are paying 352 million and we will have a capital increase of R\$ 117 million and the net amount to our shareholders that subscribed the new capital increase, will be of R\$ 235 million.

Please look at the compound annual growth rate of the shareholders that always subscribed the capital increase of 23.8%, annual.

Last slide, page 24, the share buy-back program approved by the board on March 17th, where we are now authorized to buy-back 46 million common

shares and 168 million preferred shares. The shares will be bought and held as treasury stock for subsequent resale or cancellation. That's all. Now let's move, we are open to the questions you may have. Thank you.

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press the pound key. Please restrict your questions to two at a time.

Our first question comes from Mr. Jason Mollin with Bear Stearns.

Mr. Jason Mollin: Good morning, Henri. My question is just a general question just regarding the portfolio of assets that Itaúsa controls at this point in time, and then I think you point out very clearly in your sum of the part valuation, the substantial discount at which Itaúsa is trading at, to some of the parts and that's excluding control premiums. Would the Board of Itaúsa consider other ways that - I think the share buy-back send the signal that you feel that Itaúsa is undervalued versus the value of its sum of the parts? But would you be willing to consider other structural changes for Itaúsa at this point in time and I think this has been discussed in the past - but to unleash some value there, because the 46% discount to NAV, excluding control premiums is quite substantial.

Mr. Penchas: No, Jason. We don't intend any change other than partial buy-back of the shares.

Mr. Mollin: OK, and any comments on this is... in my understanding this is the maximum in terms of a share buy-back plan up to 10% of the flow, is the maximum you can do: is that correct and therefore that is pretty much what you've insinuated in your share buy-back - approximately 10% of the flow?

Mr. Penchas: Jason, it is true and it is not true. It is true because for each authorization, I can buy only 10% of the free flow but after I have the 10%, I can open again 10% of the new free flow and so on. So you can move until zero, but each time, only 10%. For each 10% I need a new approval of the Board and of my Security Exchange Commission. That's automatic.

Mr. Mollin: Thank you very much, very clear.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press the star (*) key followed by the one (1) key on your touchtone phone now.

Again, if you would like to pose a question, please press, star one (*1).

This concludes today's question and answer session. Mr. Henri Penchas, at this time you may proceed with your closing statements.

Mr. Penchas: I would like to thank your attention and please contact us in case of any doubt. I and my colleagues will be glad to answer any questions you may have.
Thank you.

Operator: That does conclude our Itaúsa's conference for today. Thank you very much for your participation. You may now disconnect.
