



TRANSCRIÇÃO DA CONFERÊNCIA INTERNACIONAL RESULTADOS DE 2005 9 de março de 2006

Operator: 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 and instructions will be given at that time. If you should require any kind of assistance during the call please press star, zero. As a reminder, this conference is being recorded.

At this time I would like to turn the conference over to Ms. Lídia Borus of Financial Investor Relations Brasil, which, as a reminder, is the successor of Thomson Financial Investor Relations Brazil. Please go ahead.

Ms. Lídia Borus: Good morning ladies and gentlemen and welcome to Itaúsa Investimentos Itaú S.A conference call to discuss results of 2005.

I would like to mention that a slide presentation has also been made available on the company's Investor Relations website at www.itausa.com.br during this call.

Before proceeding let me mention that forward-looking statements are being made under the safe harbor of the Private Securities Litigation Reform Act of 1995. 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 this conference call in Sao Paulo are Mr. Henri Penchas, Itaúsa's Investor Relations Director; Mr. Alfredo Setubal, Investor Relations Director of Itaú Holding and Senior Vice-President of Banco Itaú; Mr. Plínio do Amaral Pinheiro, Investor Relations Director of Duratex; Mr. Reinaldo Rubi, Investor Relations Director of Elekeiroz; Mr. Guilherme de Castilho, Director of Itautec.

First Mr. Henri Penchas will comment on 2005 results, then the executives will be presenting the areas and to finish Mr. Henri Penchas will discuss on Itaúsa's performance on the stock market. Finally all executives will answer the questions that might be formulated.

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

Mr. Henri Penchas: Good morning for the people in America and good afternoon for the people in Europe. In this part of the conference I will present the main results of Itaúsa for 2005.

Let's begin with the slide number 3 where we can see the high liquidity level of the parent company, 139.

Slide number 4 the debt index of the company very, very reduced and negative net debt index that means that we have more liquidity than the debt.



Slide number 5, the composition of the liabilities of the company, where the net worth represents 92% of the liabilities and the other liabilities just 8% and for the 8% the dividends that will be paid, the main part now next Monday 13 of March represent R\$ 640 million so Itaúsa continues with a very small reduced part of third party resources.

Slide number 6, evolution of the net income of the conglomerate with a compound annual growth recurring of 23.9% and total of 22.4% in the last five years.

Slide number 7, dividends and/or interest on capital received by Itaúsa and paid by Itaúsa you can see that we, until now, always paid a little bit more dividends than we received directly and indirectly from the bank and this year we are paying exactly the same amount that we received from the bank. Slide number 8, you can see the dividends paid net of capital increase with a compound annual growth of 34.8% since 2000 and you can see also the small amount of capital increase by cash in the last years.

Slide number 9, dividend yield, you can see the dividend yield of Itaúsa for instance in 2005 net of capital increase and the total considering the capital increase, much higher than the dividend yield of Banco Itaú Holding Financeira.

Page 11, to show the income for the equity of the subsidiaries of Itaúsa. The financial area represents 93% and the industrial area 6.3%, almost the same participation than we had one year ago and the net income of the parent company of R\$ 2.297 billion in 2005, 17% higher than the amount of 2004.

The main highlights of the conglomerate you can see the increase of the total assets from R\$ 134 billion to R\$ 155 billion; the stockholders' equity from R\$ 17 billion to R\$ 18.7 billion; the net income from R\$ 4 billion to R\$ 5.2 billion; the internal fund-raising almost the same amount of R\$ 10 billion; the return on equity 28.4% 2005 against 25.5% in 2004; and the total dividends paid by the conglomerate R\$ 1.9 billion in 2005 against R\$ 1.4 billion in 2004.

Now Mr. Alfredo Setubal will speak about the Bank.

Mr. Alfredo Setúbal: Good morning. Banco Itaú finished the year of 2005 with R\$ 5.2 billion in net income; it is a growth of 39%. I would like to mention the growth of the earning per share that was almost 43% due to the buyback of shares that we made specially buying back the stake of LaCaixa Banco Itaú Holding during the last year; stockholders' equity R\$ 15.5 billion with a return on equity of 35.3%.

Another highlight I think is very important is the BIS ratio that continues very high, 17%, giving us very comfortable room to increase credit along the coming years. Efficiency ratio 15% is a good number when we compare to 54 for 2004 and is an issue that we continue to be very alert to reduce even more in the coming quarters. Non-performing loans 3.5, a little bit higher than 2004, due to the higher-risk credit that we are in and being more active in terms of personal consumer credit and middle-market. Net interest margin 13.6, increase from 12.6 in 2004 mainly because of the mix of higher spread credit portfolio in terms of the growth of credit that we made in the last year.

In the page 14, we split Itaú Holding in three like we have been done... doing the last quarters. The first one, Itaú Banco, is our retail bank. We continue to be very optimistic about this operation; we are expecting a growth in terms of credit of 25% for the year of 2006, with a little



increase in non-performing loans due to the fact that we are more concentrating our growth in the higher risk part of the market. As I said before, efficiency ratio continues to be a very important issue that we want to be below 50% this year controlling more expenses like we have been doing the last years. Another important point is the pension plan that we believe will continue to grow this year and will continue to be a very important business for the coming years because this business is growing very fast here in Brazil as the population is aging.

Itaú BBA, our wholesale bank, the focus for this year as it was last year is the investment banking especially in the capital market, tender offers primary and secondary. Itaú BBA has been very active in terms of offers. Another point for Itaú BBA in terms of corporate business is services for large companies that we believe will be very important as the economy continues to grow this year.

The last segment is what we call Itaucred, is our consumer credit business mainly. We have here three different businesses, one that is very important is vehicle financing, where Itaú has the largest market share in the industry and is a business that we believe will continue to grow this year in terms of volumes. The second business is our Taií franchise for consumer credit for low-income individuals that we believe also will grow this year with the increase of salaries and the growth of economy. Taií will continue to open new branches, its own branches, we expect to finish with around 300 Taií own stores this year. We will have the consolidation of the CBD joint venture with the opening of more than 300 stores of Taií inside CBD stores and the JV with Lojas Americanas will start this year to be more active after we have the license of the central bank to start this operation. So in terms of Taií we believe this year the numbers will grow much higher than last year in terms of stores and in terms of credit.

In terms of Credicard, the business that we have 50% with Citibank in the Credicard company we expect the final integration of this Credicard with Banco Itaú, where we will be able to cross-sell products more than only the credit card that we have today within this basis of 3,5 million clients that we have now access to cross-sell products.

Overall we expected a 30% increase in credit in this business of consumer credit and a little increase in terms of delinquency, not very important increase, but some increase, some deterioration of the portfolio is expected for the year of 2006. Now I give the word to Plínio Pinheiro to talk about Duratex.

Mr. Plínio Pinheiro: Good morning and good afternoon each one. I will start the presentation talking a little bit about the highlights of our material fact that we released on February 22.

We are filing in CVM a primary public offering of 4.5 million common shares and we intend with the sources to invest in the expansion of the activities of Duratex. At the same time we filled a secondary public offering in amount up to 9.5 million preferred shares and these preferred shares belong to Itaúsa and Itaucorp, both controllers of the group; Fundação Itaúsa Industrial, a pension fund of the industrial area; and Previ, the pension fund of Banco do Brasil. They will approximately sell 26% of the total preferred stocks existing. It means that we will increase a lot the free float of the company, of the shares of the company. After we implement both operations, we intend to capitalize approximately R\$ 380 million from profit reserves, so we are going to increase the capital in R\$ 380 million. At the same time we are going to give you one new share for each share owned by the shareholders. In the bottom of the slide we can see the other shareholders of preferred shares will increase the participation from 58.1% to 83.9%, means a big expansion in the free float of the company.



Next slide, number 16, some financial highlights. I would like first to highlight the improve in the performance of the company in terms of operational; we can see a increase in net revenues in 2005 against 2004 in about 6.9%, from R\$1.188 billion to R\$ 1.270 billion, despite the reducing in the shipments of both areas, Deca and wood division.

In terms of Ebitda, from 2005 against 2004 the improvement was about 13%, from R\$ 320 million to R\$ 363 million. The Ebitda margin also improved from 27% to 28.5% and I would like to highlight the huge increase in the Ebitda of the Deca division, comes from R\$ 65 million to R\$ 95.5 million, it means a increase of 47% due to many measures that we took during 2005 in this area, related to cost reduction and re-engineering of many activities and other measures. The wood division also increased the Ebitda from R\$ 255 million to R\$ 275 million, around 4.7%. Net income increased almost 10%, from R\$ 125 million to R\$ 137 million and mar cap of the company in the end of 2004 was R\$ 1.460 billion in the end of 2005 R\$1.743 billion and according to the quotation of our shares nowadays the mar cap is around R\$ 2.3 billion.

Next slide we see a chart that shows the investment in the blue column. We are in the end of a investment phase that starts in the beginning of the year 2000 and in the end of the phase of investment we can see the results in the Ebitda; in 2003 the Ebitda was R\$ 232 million and 2005 R\$ 363 million basically due the implementation of the investment that I already mentioned.

Next slide, number 18, we show the dividends that we paid during the three years, the last three years, and I would like to stress that the payout of this dividend was above the minimum dividend that we implemented in our bylaws, that it was 30% of the net income. In 2003 we paid 40%, R\$ 25.7 million; in 2004, considering the extraordinary dividend that we paid in the last quarter of 2004 we paid 46% in terms of payout and in 2005 we paid around a 34% payout.

Now I pass the word to Mr. Guilherme Castilho from Itaotec. Thank you.

Mr. Guilherme Castilho: Good morning for everybody. I will begin my presentation with the most important things that take place in 2005. The first re-engineering process was the sale of Philco division to Gradiente, a Brazilian consumer product industry. It takes place in October, the total value of the operation was around R\$63 - 64 million and the impact in the result of the company was R\$ 3 million of net income.

The second thing I want to point out is the spin off of the memory encapsulation and printed circuit board business of the company to a new company called CIABRACO so the result of these changes was that the gross revenue of the company fell from R\$ 1.7 billion to R\$ 1.7 billion but if we see the recurring operations that will last for 2006 we show that it was a growth of 7.5%, from R\$ 1 billion to R\$ 1.1 billion and I want to point out the growth of the foreign operations, is the new focus of the company, that show us a growth of 45.3%. The gross margin was around 23, the same of 2004; the operating expenses fall from R\$ 300 million to R\$ 270 million and the result of this operation was a net profit of 46.5 with a growth of 106%.

On the next slide, 21, we show the sales evolution from especially in the information technology products, banking automation, retail automation and self-service equipment that show a growth of almost 50%. This was the consequence of some government measures that



reduce the taxes and of course in part of this for the growth of the market. The result of the spin off we show in this account, accounts receivable that fell 28%; inventories 20% and permanent assets 36%. The most important thing of this whole operation was the net debt that is negative in R \$ 10.8 million. I think it is only this.

I pass the word to Mr. Reinaldo Rubi from Elekeiroz.

Mr. Reinaldo Rubi: Good morning and afternoon for everyone who are attending this conference call. I am going to talk a little bit about the chemical and petrochemical business in the Itausa group in Brazil.

The petrochemical business in Brazil was impacted for three major external factors that should be attended in order to understand the numbers of Elekeiroz. The first one was the relation between the dollar and the Reais, our national currency. The second one was the imports, the growing imports of finished goods from Asia, basically from China, which impacted a lot our customers, our final customers and the third factor was the volatility and high prices of the oil, once we are based on Nafta crackers here in Brazil. Those factors impacted the petrochemical industry in this part of the globe in such a way that the total revenues of the Brazilian petrochemical business declined by 3% last year, when measured in Reais.

Elekeiroz had a fourth factor, a fourth fact that impacted its results. We, in 2005 and in 2006 we are in the period of the exchange sorry, catalysts of the Ox-alcohols. In 2005 we changed the catalysts of the etils and alcohols and in 2006 we are changing the catalysts of butanol and iso-butanol, so we had less organic products to deliver to the market.

Coming to the slide that I have in the presentation you can see the results that we achieved considering those external factors. The total turnover declined from 485,000 tons to 459,000 tons. In other words, the decline was 5.4%. The major decline was in the organic products, where the Ox-alcohols are included, where we had a decline of 14.3%. Another effect could be seen in the decline of the participation of exports of the organic in relation in volume declined from 19% of the total organic products to 12% of organic products. The use of installed capacity declined from 84% to 79% due to the change of the capacity. The gross revenue measured in Reais declined the same 5.4%, which means that we sold for a little bit higher prices the products that we sold, once we had a decline on the mix from the organic to inorganic, and the inorganic has a lower price than the organic products. The operating income declined from R\$ 93 million to R\$ 52.7 million and the Ebitda declined from R\$ 125 million to R\$ 82.5 million and all those numbers combined shows that from an outstanding return on equity that we had in 2004 of 27.2% a year, which climbed to a more normal return on equity, which is 14.1%, which is completely normal for this kind of industry in Brazil. I will return the word to Mr. Henri Penchas to his final presentation.

Mr. Penchas: In this last part of the presentation I will speak a little bit about the evolution of net income, the stockholders' equity, and Itausa in the stock market. Slide 25 you can see the growth of the minority net income and the parent company net income with a huge increase since 2000 with a compound annual growth rate of 21.1% for the parent company. Next slide 26 you can see in the last years the growth of the stockholders' equity and the net income and I would like to point also that we paid dividends of R\$ 3.5 billion in the period with capital increase of just R\$ 900 million.



Slide 28, corporate governance; Itausa is disseminating its organizational culture among the companies. All our public traded companies have tag along to the preferred shares; have Investor Relations website and disclosure policies; Itaú Holding Financeira - the shares are component of the Dow Jones Sustainability World Index for the sixth consecutive year; Itaú created a compensation committee; Itaú is member of the Business Sustainability Index of BOVESPA with the second position in the ranking and Itaú implemented a new code of ethics. Duratex - extinguished the beneficiary parts in conditions that exceeded market expectations; adhered to corporate governance level one of BOVESPA and increased the minimum dividend from 25% to 30% of the adjusted net income. Itautec - 100% of the shares are common and Elekeiroz reduced the four classes of preferred shares to just one class.

Slide number 29, where we can see the growth of the number of trades of Itausa's shares. Please pay attention to the huge increase in the number of trades from 2004 to 2005, almost 50% from 64,000 trades to 97.8 thousand trades and the volume traded also with a huge increase from 2004 to 2005. The discount in the price of Itausa as of 29 December 2005 taking into consideration the valuation of all the companies traded in the market at their market price and Itausa at the market price, not including the premium control. We were trading as of 29 December 2005 with a discount of 30.4%. Slide 31, we can see the evolution of the discount and we can see also the reduction of the discount from December 2004 that was 40.7% to 30.4% as of December 2005. Last March, first of March, the discount was just 28.8% and as a last slide we can see the annual average appreciation of the shares of Itausa, of investment in Itausa in comparison with the Brazilian stock market in dollars. So the shareholder that invested 10 years ago had an appreciation of dollar plus 26.23% a year and the last 12 months dollar plus 92.53%. With that I close the presentation and me and my colleagues now we are open to the questions you may have thank you.

Operator: Thank you. 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 key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star, two.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question please press the star key, followed by the one key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star, two.

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

Mr. Penchas: I would like to thank you for hearing our conference and I am personally at your serve. If you need anything please, call me and also my partners, Investor Relations Directors of the main companies. Thank you.

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