

**ITAÚSA INTERNATIONAL CONFERENCE CALL  
2009 Earnings  
March 3, 2010**

**Operator:** Ladies and gentlemen, thank you for standing by. This is Itaúsa's conference call. At this time all lines are in a listen-only mode. Later there will be a question and answer session and instructions to participate will be given at that time. If you need any assistance during the call, please press the star key followed by zero (\*0). As a reminder, this conference is being recorded.

At this time I would like to turn the conference over to Ms. Daniela Ueda of Financial Investor Relations Brasil. Please go ahead.

**Ms. Daniela Ueda:** Good morning and welcome to Itaúsa's conference call to discuss the 2009 earnings. I would like to remind you that this conference call is being broadcast live on Itaúsa's investor relations website [www.itausa.com.br](http://www.itausa.com.br). A slide presentation is also available on this site.

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

With us today in São Paulo are Investor Relations Officers Henri Penchas for Itaúsa; Alfredo Egydio Setubal, for Itaú Unibanco Holding; Flávio Donatelli, for Duratex; Mário Anseloni, for Itautec; and Elekeiroz' Managing Director Ricardo Baraldi.

First Mr. Henri Penchas will comment on the 2009 earnings. Afterwards, management will be available for a question and answer session. It is now my pleasure to turn the call over to Mr. Penchas.

**Mr. Henri Penchas (Itaúsa):** Good morning. It is a pleasure to present the numbers of 2009 of Itaúsa through this conference call. I will begin showing some figures. After that, my colleagues of the main companies, investor relations director at Duratex, Flávio Donatelli; managing director at Elekeiroz, Ricardo Baraldi; investor relations director at Itautec, Mário Anseloni; and investor relations director at Itaú Unibanco, Alfredo Setubal, will present their companies. I will be back for the closing with more figures of Itaúsa and of its stock in the stock market. Let us begin."

Please let us go to slide number 3, where we can see the very high liquidity and debt index of Itaúsa. Note that we have a negative debt index that means that we have more cash than all the liabilities of the company.

Slide number 4, the own resources of the Itaúsa represent 96% of the total liabilities and the 4% are 99% are represented of dividends to be paid to the shareholders.

Slide number 5, the increase of the net income: recurring, nonrecurring and the total, and the compound annual growth of the net income. As you can see, from 2008 to 2009 the net income of the company moved from R\$ 2.7 billion to R\$ 3.9 billion and the last seven years, since 2003, the compound annual growth of 13.7%.

Slide number 6, the dividends paid by Itaúsa in the past and now to be paid for the year closed as of December 2009, R\$ 1.2 billion that represent exactly the amount received of dividends from Banco Itaú.

Slide number 7, comparing the gross dividends and the net dividends taking into account the capital increase. The management will propose a capital increase of R\$ 266 million, so the net amount of the dividend will be exactly the same amount as 2008, R\$ 966 million.

Slide number 8, the dividend yield, where we can see that the dividend yield of Itaúsa is 4.44% against 3.7% of Itaú Unibanco.

The slide number 10, where you can have, just to remember, the ownership structure of Itaúsa and the main companies: Itaú Unibanco, Duratex, Itautec and Elekeiroz.

The slide number 11, the main financial highlights of the conglomerate, where we can see the comparison of the growth or decrease of the total assets, the operating revenue; net income; stockholders' equity; the average return on equity; and the internal fund generation for the conglomerate and in the last column just for the parent company, where we can see the growth of the net income from R\$ 2.7 billion to R\$ 3.9 billion. Stockholders' equity of R\$ 16.6 billion to R\$ 19.8 billion, and the average return on equity of 16.5% in 2008 to 21.5% in 2009.

Now I will ask Flávio Donatelli to continue with the presentation with the numbers of Duratex. Flávio, please.

**Mr. Flávio Donatelli (Duratex):** Thank you, Henri. It is a pleasure to be here in this conference call from Itaúsa. For Duratex, on slide 12, the main event in 2009 was the association between Duratex and Satipel, which created the biggest panel company in the southern hemisphere and the 8<sup>th</sup> worldwide company. In Brazil, our market share is around 43%. The strategic advantage of this association was the complementary product lines when one can see the capacity of the MDP and MDF very well-balanced and the geographical diversification. The association brings to the company plants very well located close to the furniture industry. Another competitive advantage is operations with a high degree of integration and economy of scale. When Duratex presented third quarter results, we announced synergies of R\$ 96 million per year in 2009. In four months we forecasted R\$ 10.5 million in synergies and we accomplished R\$ 13 million, about 25%. You can see here that the acceptance by the market was excellent. The evaluation of the market value for both companies between the day before the announcement of the association up to last week was about 170%. In the same period, the Bovespa Index increased 32%.

On slide 13, we can see investments done by Duratex and Duratex and Satipel in the

years before, previous to the association. If you consider investments planned for 2010, Duratex invested more than R\$ 2 billion in four years. These investments increased the capacity of metals, of metal fittings, in Deca, by 50%; 8% in ceramics and 8% in panels in the Wood division. Our main project during these four years was the construction of the resin plant in Agudos, which will supply around 70% of our needs of resin. Metal fittings expansion mainly in Jundiaí, in São Paulo, and the acquisition of two vitreous China companies: CMC, in the Northeast, and Ideal Standard, in São Paulo.

On slide 14, you can see the performance of Duratex and you can see that during 2009 we had a bad and weak first semester due to the crisis which affected both our divisions, Deca and Wood. The second semester was better, mainly in fourth quarter when our revenues achieved R\$ 620 million, reflecting the improved scenario in the second semester. One number that I would like to point out is the EBITDA of the fourth quarter, around R\$ 190 million, which, if we annualize this number, this number will be higher than our EBITDA in 2008, when you sum the EBITDA of Satipel and Duratex. And another important figure is that our EBITDA margin is over 30% - 30.5%, which is an expressive number and shows us the trend for 2010. The net income in fourth quarter was R\$ 88 million, almost 30% above third quarter and the return on equity in the fourth quarter was 15%.

On slide 15, you can see the performance of our divisions, Deca and the Wood Division. In Deca you can see the growth in the market during 2009, mainly in the fourth quarter, when the revenues rose around 10% when you compare with third quarter, and I think it is worth to mention the increase in EBITDA to R\$ 66 million, 22% above third quarter and an EBITDA margin of 30%. In the Wood division, you can see the improvement of the market during the second semester. Here, the gross margin, the percentage of the margin, we will see a reduction. We started the depreciation of the new plants of Agudos and Taquari in the second semester, which reduced the percentage of the gross margin. In terms of EBITDA, I would like to point out the increase in the EBITDA margin to almost 31%, which reflects the dilution of fixed costs through a greater industrial occupancy rate and the capture of synergies from the association process.

I would invite Mr. Ricardo Baraldi from Elekeiroz to continue the presentation. Thank you.

**Mr. Ricardo Baraldi (Elekeiroz):** Thank you, Fábio, good morning. Well, Elekeiroz businesses in 2009 were adversely affected by the coincidence of the world crisis with the typical cyclic downturn of the petrochemical industry after the conclusion of new and heavy investments in additional capacities worldwide. On the other hand, the financial and fiscal Brazilian government measures to reduce the crisis impact led to the gradual recovering of the domestic economic activities in the second quarter. In consequence, at the end of 2009 the Brazilian chemical industry registered a growth of 3.5% in sales volume, but with prices in Brazilian currency almost 22% lower than prior years. In other words, the margins were squeezed, undermining the profitability of the companies.

In the first quarter, we made an important adjustment on the inventories value, bringing them to their new market value after the crisis due, mainly, to the expressive devaluation of the sulfur in the international market. Sulfur is a raw material for our sulfuric acid production. So losses of R\$ 43 million were recognized on the financial statements. Despite the global crisis, the company invested almost R\$ 17 million on the accomplishment of the plasticizer capacity, on maintenance, and on additional safety measures for workmanship and environmental preservation. The company was awarded with a Mention of Honor on the 15<sup>th</sup> edition of the FIESP Environmental Merit, like you can see on the slide, and finally we can remind you that the corporate governance was improved with the election of three independent members for the Board. Nowadays 38% of the Board is composed by independent members. They are: Domingos Henrique Guimarães Bulus, Mr. José Eduardo Senise, who is the new Chairman of the Board, and Mr. Rogério Almeida Manso. The other Board members, you can see also on the slide.

Some company highlights on slide 18. We can see that some main Elekeiroz figures and important to remark is a comparison between the sales volume and the gross or net sales. We had a reduction of 35% on net sales and a reduction of 6% on sales volume, which means Elekeiroz had a very important price decrease. Our exports decreased 20% and the gross profit 56%, always 2009 related to 2008.

On slide 19, some other figures, all of them showing that 2009 was not a good year for Elekeiroz. You can see the evolution of net sales and gross margin: gross margin from 19.7% in 2008 to 13.3% in 2009. Our earnings before taxes and depreciation, 14.4% to almost zero in 2009. Our net income, after two good years, was not so good in 2009. As a result, our return on equity was only 1% in 2009.

That is all. I invite Mário Anseloni to speak.

**Mr. Mário Anseloni (Itautec):** Hello, everybody, thank you, Reinaldo. Here is Mário Anseloni. I am celebrating this week my first month as the new CEO and Investor Relations for Itautec. It is a pleasure to be here.

So despite the economic crisis in 2009, I think it was a good year relatively to Itautec, particularly in the company's ability to grow. We grew 5% our gross revenue or revenue, but mainly the company's ability to improve net profits when we grew 22%. In terms of our business units, the big highlight is automation, particularly the bank automations, where we were able to grow the business 14%. Also, our distribution business with a solid improvement against last year. And a particularity: the first time that in our IT business that we saw the notebooks production and trade bigger than the desktops. This is a trend in the Brazilian market and this was very important also in our long-term business strategy. So, I think that given the circumstances, it was a good year for Itautec.

In the slide number 21, I give a little bit of the highlights, the most important and the first one, of course, is our bank automation segment, where we saw important, large Brazilian banks showing their confidence in acquiring Itautec solutions. We also could see an expansion of our services business, particularly in some strategic areas such

as data center services and cabling. We also could manage to implement a renewal in the point of sales in our installed base of large retail chains not only Brazil, but also abroad with some important points where we operate, including drugstores, department stores and supermarkets. We introduced new products and product lines in our IT business, including notebooks, desktops and also servers that we could consider that was successfully launched in Brazil and were well accepted by the market, particularly the consumer market, all of them using top technology, but also based on one of our most important values, that is environmental sustainability. Itaútec is very active and very serious about environmental sustainability, and we could register some important products in the Electronic Product Environmental Assessment Tool. We also had a change that is designed in 2009 but implemented in 2010 in our governance. We have new Board members, independent Board members, three: Mr. Carlos Eduardo Corrêa da Fonseca, Mr. Chu Tung and Mr. Luiz Antonio de Moraes Carvalho. Also, a new CEO, myself, and I am also a Board member. I joined the company one month ago. The Chairman of the Board is Mr. Ricardo Egydio Setubal and with those members joining the previous Board members: Alfredo Egydio Arruda Villela Filho, Mr. Paulo Setubal Neto, Mr. Renato Roberto Cuoco and Mr. Rodolfo Villela Marino. This is the new Board for Itaútec that was implemented in the beginning of this year.

In terms of investments, we keep investing solidly, particularly in research and development, technology and products and increasing and enhancing our operational capacity and also, most recently in implementing our new ERP system that is going to give the company a new boost in terms of ability to manage operations and also attend our customers.

In my final slide, slide number 23, I give some of our ratios. I think that our gross margin has improved. Although EBITDA kept at the same level, we were able to generate a significant amount of net profit in addition to the previous year and consequently our return on equity has improved, although not as much as some historical performance. But it is an indication of potential good trend for Itaútec.

So that is what I would like to share with you. Again, thank you very much and I will give the word to my colleague Mr. Alfredo Setubal, from Banco Itaú Unibanco.

**Mr. Alfredo Setubal (Itaú Unibanco):** Thank you Mário, good morning. I will talk little bit about Itaú Unibanco results in 2009.

On slide 24, we have some highlights about the results. We published R\$ 10,067 million as net income. We showed with this number, a ROE, using the average equity annualized of 22.3%, below 2008, but still a very good number considering the circumstances and more difficulties that we had last year. The BIS ratio of 16.7%, very comfortable to face the challenges and the growth of credit, especially. Efficiency ratio, 42.4%, a little bit better than the 45.3% compared to 2008. We are already showing some synergies of the merger between Itaú and Unibanco and a new ratio that we started to disclose is the risk-adjusted efficiency ratio when we consider not only the costs, but also the delinquency and insurance. So the number goes to 59.4% compared to 59.2% of 2008. Total assets, we finished the year with



R\$ 608 billion in total equity and stockholders' equity of R\$ 50.5 billion.

On slide 25, we have a close look at our credit portfolio. The total credit portfolio of R\$ 278 billion. It continued to be concentrated in individuals, especially credit card, when we showed a growth of 23.1% last year and also the car finance, with a growth of 9.1%. In terms of companies, big companies, we had a decrease of 13.6%, mostly related to the appreciation of the real against the dollar especially in the trade finance lines, that are all in dollars, and also because most of the big companies restarted to use the capital market for their finance needs, both in terms of equities and debt last year, especially in the second semester, when the market was much more active than in the first semester. In terms of micro, small and middle companies, they continued to be our focus. We had a growth in terms of credit portfolio of 20%. We finished with almost R\$ 61 billion and it is a segment that we continue to invest this year, increasing the number of platforms, the number of managers, to serve better this segment. In terms of directed loans, the highlight continues to be the mortgages. Mortgages grew by 36.3% last year and probably will continue to grow in the same pace this year. We finished with R\$ 8.5 billion in terms of mortgages, still a small amount when we compare to the total of R\$ 278 billion in the credit portfolio, but mortgage is the line that is growing in the best pace in the last years and probably will continue to be in the coming years also. We also showed here in this side the total credit that we provide to retail. When we compare to retail, we see that this line of business had a growth of 14% last year, so we were very active in terms of retail individuals, micro, small and middle market companies when we compare to last year.

On slide 26, we see the non-performing loans and coverage ratios. We saw a better result in the last quarter. We finished with 5.6% in terms of delinquency when considering the NPL ratio for 90 days. Individuals, 7.6%; companies, 4% and the average, 5.6%. As we expected, the last quarter was better than the previous quarter of the year, but, anyway it is still in a high level and we expect this year to be better. The coverage ratio, 174% and the balance of allowance for loan losses, we finished with R\$ 6.1 billion on provisions, above the minimum required by the Central Bank. In the end of 2008, we finished with R\$ 7.8 billion, so we used during the year to face delinquency R\$ 1.6 billion, R\$ 1.7 billion almost, from the provisions that we made at the end of 2008 to face this problem.

To finish, expectations that we have for 2010: in terms of credit growth for individuals, we expect a growth of something between 19% and 23%. For companies, 24% to 28%, and when we just analyze small and medium-sized companies, 26% to 30% in terms of growth, new loans in terms of credit portfolio. NPL, we expect a reduction between 50 basis points and 100 basis points due to the better performance of the economy in this year. We expect a GDP growth between 5% and 6% for the year. Banking fees, a growth of 10% to 15%, more related to new clients and more activity in the economy. Non-interest expenses excluding Redecard and Porto Seguro, 3% to 5% growth, in line with the inflation and when we consider non-interest expenses excluding the expansion costs especially related to the opening of 150 new branches that we expect to open this year, and not considering, of course, Redecard and Porto Seguro, the growth in terms of the expenses will be between zero and 3%.

Now I give the word again to Mr. Penchas to finalize the numbers of Itaúsa.

**Mr. Henri Penchas (Itaúsa):** Thank you. Slide 29, we can see the evolution of the net income of the parent company and the conglomerate. The parent company, with a compound annual growth rate of 16.6% and the total net income of the conglomerate, with a compound annual growth rate of 23.7%.

Slide 30, showing the income distribution of the income equity, where we can see that the financial area increased the participation of 93.3% in 2008 to 95.7% in 2009, due mainly to the slow market that we had in the first semester of 2009 in the financial area.

Slide 31, the evolution of stockholders' equity and net income.

Slide 33, corporate governance, where Itaúsa was selected as a component for the sixth time in the Dow Jones Sustainability World Index and for the third time in the Índice de Sustentabilidade Empresarial of the Brazilian stock market.

Page 34, the performance of our preferred shares, the liquidity of the shares. Compound annual growth rate of 79.8%, reaching in 2009 1.6 million transactions and with a financial volume of R\$ 18.9 billion in 2009.

Slide 35, the discount in the price of Itaúsa, still at the level of 23% considering the sum of the parts.

Slide 36, a historical number of the discount.

Page 37, the evolution of US\$ 100 invested in the last 10 years in Itaúsa, where we can see the compound annual growth of 29.82% in 10 years against 14.64% in the Brazilian stock market. Five years, 42.6% for Itaúsa, 22.3% for the Brazilian stock market (Ibovespa). And the last 12 months, 116.84% against 65.46% for Ibovespa.

And the last slide, number 38, just how the management of Itaúsa manages the companies to create stockholders' value: with the dissemination of its organizational culture, prioritizing human capital, with operational autonomy of the companies, with leadership in its chosen business, its brands, with the internationalization of the companies, with a capital structure, and with sound investments always thinking in the generation of sustainability and value.

Thank you. Now we will be happy to answer the questions you may have.

### Q&A Session

**Mr. Jason Mollin (Goldman Sachs):** Hello, everyone. Henri, maybe you can talk little bit about the outlook for expenses at the holding level, the Itaúsa level, if what we saw in 2009 is kind of a sustainable run rate going forward or if there is any kind of efficiency gains that we could see, even though the small number relative to the

size of the assets that are controlled. Is that something that you think there could be some improvement on?

**Mr. Henri Pechas (Itaúsa):** Good morning, Jason. Jason, excuse me, I did not understand if your question is about the consolidated numbers or the individual numbers of Itaúsa.

**Mr. Jason Mollin (Goldman Sachs):** The individual, just at the holding itself, just individual numbers, the structure that is necessary, the cost structure necessary to manage the holding, not the underlying assets.

**Mr. Henri Pechas (Itaúsa):** Jason, the number is very, very small and we believe that we can keep the number at the same levels or to reduce it a little bit. We do not see any increase in the number.

**Mr. Jason Mollin (Goldman Sachs):** Great, thank you very much.

**Mr. Henri Pechas (Itaúsa):** Thank you for participating and please, do not hesitate to call us if you have any question about Itaúsa and/or its controlled subsidiaries. Thank you.

**Operator:** That does conclude Itaúsa's 2009 earnings conference for today. Thank you very much for your participation and have a good day.

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