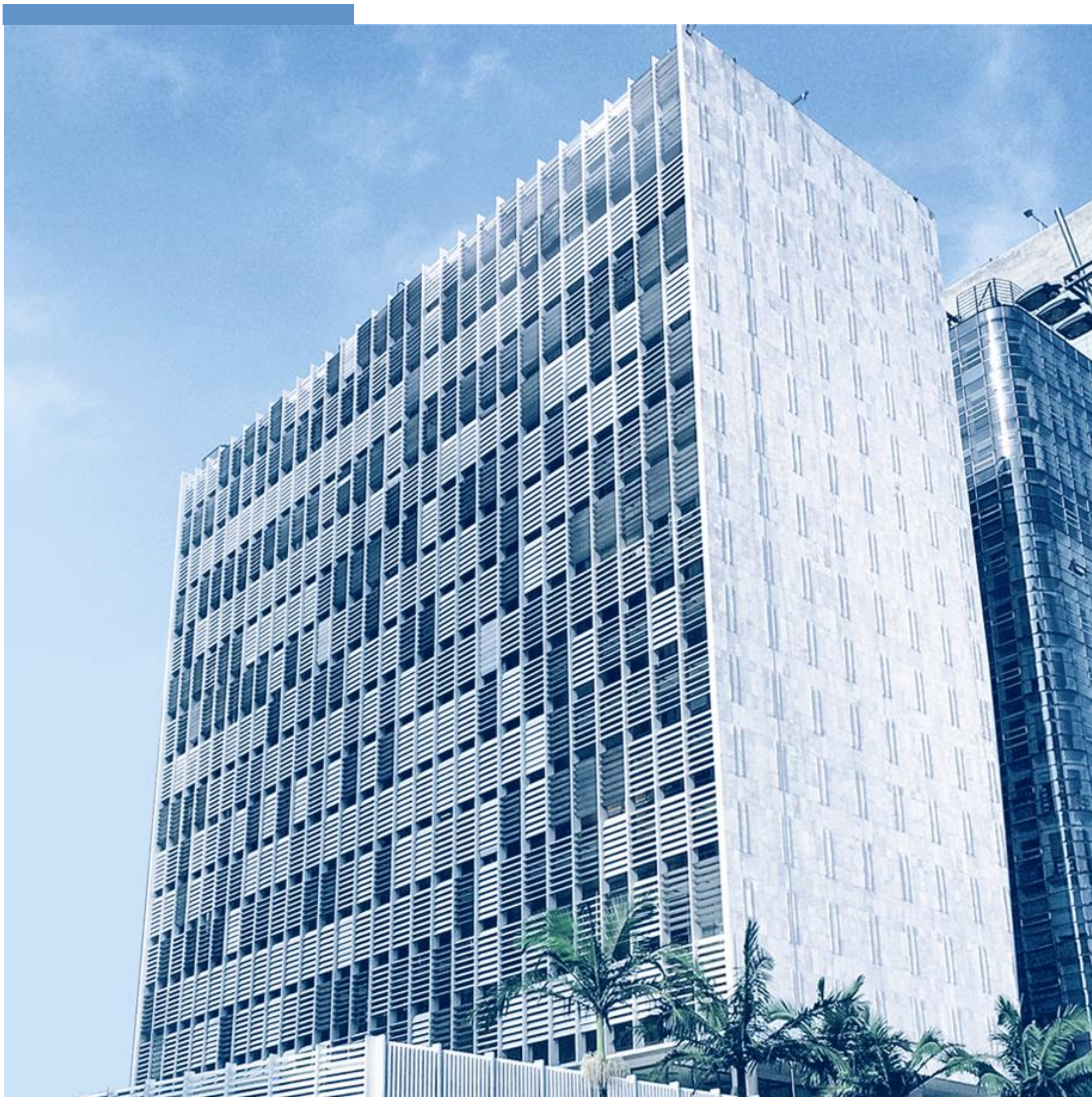
ITAÚSA



Itaúsa headquarters | Paulista Avenue - São Paulo

Complete Financial Statements

December 31, 2019

Contents

Management Report

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the fourth quarter of 2019 (4Q19) and fiscal year 2019, prepared in accordance with the standards established by the Accounting Pronouncement Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

Independent auditor's report

The Financial Statements were audited by PricewaterhouseCoopers Auditores Independentes (PwC) and have received an unqualified opinion from the external auditor. The Financial Statements were approved by the Fiscal Council.

The Financial Statements were made available to the market on the websites of Itaúsa, B3 S.A. – Brasil, Bolsa, Balcão (B3), and the CVM.

1. Economic Environment

In 2019, the Brazilian economy experienced an even more challenging environment, as it reported a pace of growth similar to previous years, with an expected growth of approximately 1.0%. However, controlled inflation substantially below its target (12-month IPCA totaled 4.31%) and slightly upturned economic indicators have provided for a more flexible monetary policy approach, thus leading to basic interest rates at the lowest historical levels ever witnessed in Brazil (currently at 4.25% p.y.).

In spite of the economic and political uncertainties around Brazil over the year, one can observe progress in the agenda concerning structural reforms and economy incentives. The approval of a draft text for the social security reform, the release of FGTS and PIS-PASEP funds, and the progress in the privatization process and partnerships with the private sector have been translated into better prospects for household consumption spending and private investments. Therefore, as of the 2nd half of 2019, economic activity indicators have shown that the economy has responded to the incentives proposed by the government, as measured by market consensus and outlined in the Focus Market Readout disclosed by the Central Bank of Brazil, thus leading to a more optimistic market driven by the gradual recovery of the economy in the medium-term. The unemployment rate was slightly down over 2019 to 11% in the last quarter of 2019, meaning that the labor market has been recovering, although at a slow pace.

In the international scenario, in spite of raised expectations of the global economy growth, driven by expectations of a more flexible monetary policy and the decrease in global uncertainties, a slight downturn is predicted for the major economies and for China. Itaú BBA predicts that the US and eurozone GDPs will slow down to growth rates of 2.0% and 1.0%, respectively, in 2020. Also according to Itaú BBA, China is expected to grow by 5.8% (from 6.1% in 2019), as it is being impacted by the new coronavirus crisis. Therefore, some emerging economies might be favored, basically those recording improved expectations concerning the macroeconomic scenario, including Brazil, which is expected to record GDP growth of 2.3% in 2020, in accordance with the latest Focus Market Readout.

Investees in the consumer goods segment and related to the real estate market, which operate in this scenario, may experience better conditions for achieving operational growth, boosted by better economic conditions and the recovery in the segments of consumption, civil construction and capital markets. The financial sector has witnessed a larger demand for credit and investment banking operations (IPOs, secondary offerings, and debt bond issues), in addition to larger technology investments spearheaded by the transformations in the last years and those expected for the future.

2. Itaúsa Highlights

Return to stockholders

Earnings declared in the fourth quarter of 2019 to be financially settled in 2020 were as follows:

- Quarterly dividends of R$0.02 per share paid on January 2, 2020 to stockholders with stockholding positions at the end of November 29, 2019.
- Interest on capital: stockholders with final stockholding position on December 12, 2019, in the amount of R$0.005950 per share (net of income tax: R$0.005058) to be paid on March 6, 2020.

Furthermore, Itaúsa's Board of Directors, held at a meeting on that date, resolved on the payment of earnings based on the stockholding position at the end of February 20, 2020, also to be paid on March 6, 2020, as follows:

- Additional dividends in the amount of R$0.225965 per share.
- Interest on capital in the amount of R$0.217396 per share (net of income tax: R$0.184787).

In the period from 01/01/2019 to 12/31/2019, Itaúsa distributed gross earnings in the amount of R$10 billion. The shareholders who remained on the shareholder base during this period were entitled to a gross amount of R$1.1908 per share, which divided by the share price of 12/31/2019, results in 8.5% of dividend yield.

The complete history of earnings paid and payable can be accessed at:
http://www.itausa.com.br/en/itausa-in-the-stock-market/dividends.

Investment in Copagaz

On November 19, 2019, Itaúsa announced to the market in general that the Acquiring Group of which it is part entered into final agreements on that date for the acquisition of 100% of Liquigás' shares. This transaction is still awaiting the analysis of and approval from the Brazilian Antitrust Authority (CADE), as this is one of the conditions precedent for completing this purchase and respective financial settlement accordingly.

The total price offered by the Acquiring Group was R$3.7 billion and it is subject to certain adjustments provided for in the purchase and sale agreement. Itaúsa's stake in this transaction will be achieved through an equity investment in Copagaz of approximately R$1,4 billion, subject to adjustments, thereby it will hold a stake of approximately 49% in total capital. In addition to this financial support, Itaúsa will contribute by improving Copagáz's corporate governance.

This new investment is in line with the efficient capital allocation strategy enabling Itaúsa to team up with strategic partner Copagaz, thus providing for the capture of major synergies and entering into one of the major LPG (liquefied petroleum gas) markets in the world.

For further information, please see the Announcement to the Market disclosed on November 19, 2019 at:
http://www.itausa.com.br/en/announcements-and-minutes/material facts.

Enhanced presentation of the financial statements

In order to make it easier for the market to access our information and improve the disclosure of financial information, in the last months Itaúsa has carried out a thorough revision of all its notes to the financial statements by rooting out and adding tables and new information of interest to analysts and the market in general. This revision was based on over 1,800 mandatory disclosure requirements and a survey of the practices of tens of companies, thereby incorporating the latest transparency trends.

Management is pleased to invite readers of this report to track the progress of this document, available on the websites of Itaúsa (http://www.itausa.com.br/en/financial-information/financial-statements) and of CVM, and to share your insights and suggestions for improvement via email investor-relations@itausa.com.br.

Sustainability

Dow Jones Sustainability World Index (DJSI) – In 2019, Itaúsa, for the 16th year, and Itaú Unibanco, for the 20th consecutive year, were selected to make up the portfolio of the Dow Jones Sustainability World Index (DJSI), the world's main corporate sustainability index, with both companies hitting top scores in five items. In its 2019/2020 edition, this portfolio is made up of 318 companies from 27 countries, of which only seven are Brazilian.

Corporate Sustainability Index (ISE) – Itaúsa, for the 13th year, Itaú Unibanco, for the 15th consecutive year, and Duratex, for the 12th consecutive year, were once again selected to make up the B3's Corporate Sustainability Index. The participation in this index reflects Itaúsa's, Itaú Unibanco's, and Duratex's long-term commitment to ethical business behavior, compliance with the law, corporate governance, and social, cultural, and environmental responsibility.

CDP (subsequent event) – In February 2020, CDP disclosed its list of companies with sustainable performance evaluated and respective climate change management practices scores. Itaúsa, Itaú Unibanco, and Duratex were rated "B" and made up the group of companies with sustainability management above the global average and the average of its peers in the markets they operate. CDP (formerly the Carbon Disclosure Project) was created in 2000 and reports one of the most complete global systems for environmental data disclosure purposes.

3. Itaúsa's Economic Performance

As a holding company, Itaúsa's results are basically derived from its Equity in the Earnings of Subsidiaries, determined based on the net income of its subsidiaries and revenues from investments in financial assets.

As a result of the merger of wholly-owned subsidiary Itaúsa Empreendimentos into Itaúsa, carried out on August 30, 2019, the Individual Statement of Income of Itaúsa, presented in the pro-forma table below, had some 2018 and 2019 figures adjusted in the lines for better comparability of the data submitted, without, however, resulting in any change in net income.

Main Indicators of Results of Itaúsa Consolidated and Capital Markets

	R$ million			R$ per share		
	2019	2018	Change	**12/31/2019**	12/31/2018	Change
PROFITABILITY						
Net income	**10,312**	9,436	9.3%	**1.23**	1.13	8.5%
Recurring net income	**9,765**	9,427	3.6%	**1.16**	1.13	2.8%
Return on Equity (annualized)	**19.4%**	18.2%	1.2 p.p.			
Recurring Return on Equity (annualized)	**18.4%**	18.2%	0.2 p.p.			
BALANCE SHEET (1)						
Total assets	**58,571**	58,377	0.3%			
Stockholders' equity	**55,232**	55,143	0.2%	**6.57**	6.56	0.2%
CAPITAL MARKETS						
Market Value (2)	**118,508**	101,601	16.6%			
Average Daily Traded Volume (ADTV) on B3 (3)	**282**	228	23.7%			

(1) For better comparability, all periods include the merger of Itaúsa Empreendimentos.

(2) Calculated based on the closing price of preferred shares in the last day of the period.

(3) Includes Itaúsa's preferred shares (ITSA4)

Pro-Forma Individual Result Of Itaúsa[1]

Em R$ milhões	4Q19	4Q18	△%	2019	2018	△%
INVESTEES' RESULTS IN ITAÚSA	**2,677**	**2,782**	*-3.8%*	**10,289**	**9,849**	*4.5%*
FINANCIAL SECTOR	**2,401**	**2,550**	***-5.8%***	**9,723**	**9,387**	***3.6%***
NON-FINANCIAL SECTOR	**279**	**236**	***18.2%***	**580**	**437**	***32.6%***
ALPARGATAS	51	39	*30.8%*	106	79	*34.2%*
DURATEX	58	55	*5.5%*	101	99	*2.0%*
NTS [2]	170	142	*19.7%*	373	259	*43.8%*
OTHER COMPANIES	(3)	(4)	*-25.0%*	(14)	25	-
RESULTS OF ITAÚSA	**(60)**	**(52)**	*15.4%*	**(438)**	**(464)**	*-5.6%*
FINANCIAL INCOME / EXPENSES	(13)	(12)	*8.3%*	(49)	(67)	*-26.9%*
ADMINISTRATIVE EXPENSES	(31)	(23)	*34.8%*	(125)	(91)	*37.4%*
TAX EXPENSES	(22)	(17)	*29.4%*	(274)	(314)	*-12.7%*
OTHER OPERATING REVENUES	6	-	-	10	8	-
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	**2,617**	**2,730**	*-4.1%*	**9,851**	**9,385**	*5.0%*
INCOME TAX / SOCIAL CONTRIBUTION[3]	(42)	(8)	-	(86)	42	-
RECURRING INDIVIDUAL NET INCOME	**2,575**	**2,722**	***-5.4%***	**9,765**	**9,427**	***3.6%***
NON-RECURRING RESULTS	**875**	**(177)**	**-**	**519**	**132**	***293.2%***
ITAÚSA'S RESULTS	-	-	-	-	-	-
FINANCIAL SECTOR	845	(19)	-	521	125	*316.8%*
NON FINANCIAL SECTOR	30	(158)	-	(2)	7	*-128.6%*
OTHER NON-RECURRING RESULTS	-	(38)	-	28	(123)	-
NET INCOME	**3,450**	**2,507**	***37.6%***	**10,312**	**9,436**	***9.3%***

(1) For better comparability, all periods include the merger of Itaúsa Empreendimentos in the Statement of Income.

(2) Includes dividends/interest on capital received, adjustment to fair value of shares, interest on debentures convertible into shares (redeemed in May 2018), and expenses on time installment of the amount invested and respective foreign exchange variation.

(3) In 2019, the Company no longer recognizes deferred tax assets on tax losses carried forward and temporary differences.

Results of Investees, as Recorded by Itaúsa

Recurring equity in the earnings of subsidiaries in 2019 totaled R$10,289 million, up 4.5% on a year-on-year basis. This increase was mainly driven by a better performance of **Itaú Unibanco**, due to a 14.2% growth in Interest Income, as a consequence of the increase in loan portfolio (+10.8%), a 6.9% increase in Commissions and Fees, and the control over Non-Interest Income, increasing below inflation levels. Furthermore, it is worth mentioning **Alpargatas** outperforming in the first year under a new leadership and with a new strategy, as it recorded growth in the Brazil and International operations (+9.8% in net revenue), by repositioning its portfolio and increasing profitability also as a result of better cost and expenses management. **Duratex** was favored by the improved domestic economic scenario and bounced back with better rates of return, driven by a 1.3% increase in net revenue, optimization of its assets base and better operational efficiency. At last, **NTS'** outperformance was mainly driven by its receiving more dividends and the effect of the periodic adjustment to the fair value of assets in Itaúsa.

Equity in the earnings of subsidiaries for the 4th quarter and fiscal year 2019 was impacted by significant non-recurring events, which totaled a positive amount of R$845 million in the quarter and R$521 million in the year. Worth mentioning are the gains earned by Itaú Unibanco from XP Investimentos going public and the revaluation of deferred tax assets driven by the increase in the rate of social contribution on net income (CSLL), partially offset by expenses on the recognition of provisions for contingencies. Duratex's results were mainly driven by the revenue from the sale of land and forests carried out in 3Q18 and 4Q19, partially offset by the write-off of assets in the wood panel segment, whereas Alpargatas recorded a positive result driven by the gain from the sale of properties and the successful outcome in a lawsuit challenging ICMS in the PIS/COFINS calculation base, partially offset by restructuring and goodwill impairment expenses.

Further information on the performance of investees is described in section "4. Comments on the Performance of Investees" below.

Itaúsa's Results

Administrative expenses totaled R$31 million and R$125 million in 4Q19 and 2019, respectively. Increases of 34.8% and 37,4% on a year-on-year basis were mainly driven by adjustments to the administrative structure, the engagement of consulting firms to support M&A projects, and the revision and improvements in processes and systems of the financial department, sureties and guarantees taken out to secure lawsuits, in addition to increase in the cost of share bookkeeping services driven by a quick expansion in the stockholder base.

Tax expenses totaled R$22 million and R$274 million in 4Q19 and 2019, respectively, leading to a reduction in these periods, mainly driven by lower PIS/COFINS expenses caused by lower income from interest on capital in 2019.

Financial result totaled R$49 million in expenses in 2019, down 26.9% from 2018, mainly driven by the lower interest rate levied on such debt.

Net income totaled R$10.312 million in 2019, which represented a 9.3% increase from 2018, mainly driven by better results of investees and the non-recurring effects mentioned above. Recurring net income totaled R$9,765 million, up 3.6% from 2018.

Reconciliation of Recurring Net Income

	4Q19	4Q18	**2019**	2018
Recurring Net income	**2,575**	**2,722**	**9,765**	**9,427**
Addition/(Exclusion) of Non-Recurring Effects D= (A + B + C)	**875**	**(215)**	**547**	**9**
Own (A)	**-**	**(38)**	**28**	**(123)**
BD Plan	-	-	-	-
Disposal of shares in Elekeiroz	-	(38)	-	(123)
Disposal of interest in Itaú Unibanco Centro Empresarial	-	-	28	-
Arising from Ownership Interest in the Financial Sector (B)	**845**	**(19)**	**521**	**125**
Changes in Treasury Shares	7	41	221	188
Revaluation of the tax credit balance	758	-	758	-
Gain due to the primary issuance of XP Investimentos shares	739	-	739	-
Civil, Fiscal and Labor contingencies	(489)	-	(489)	-
Constitution of provision for loan losses	(127)	-	(127)	-
Voluntary Severance Program	-	-	(536)	-
Provision for contingencies (economic plans)	-	-	-	34
Impairment	(14)	(6)	(14)	(44)
Liability Adequacy Test	25	(54)	25	(54)
Others	(54)	-	(56)	1
Arising from Ownership Interest in the Non-Financial Sector (C)	**30**	**(158)**	**(2)**	**7**
Alpargatas	(44)	(51)	(77)	(52)
Duratex	46	(107)	47	59
Other Companies	28	-	28	-
Net Income	**3,450**	**2,507**	**10,312**	**9,436**

Note: Income for 2018 was adjusted to reflect the reclassifications between recurring and non-recurring in connection with investments in Alpargatas.

Main Indicators of Itaúsa Conglomerate Companies

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements under IFRS.

	January to December	Itaú	ALPARGATAS	Duratex
Operating revenues [1]	**2019**	**192,110**	**3,712**	**5,012**
	2018	171,748	3,380	4,949
Net income [6]	**2019**	**27,113**	**274**	**406**
	2018	24,907	332	432
Recurring Net Income	**2019**	**26,311**	**432**	**275**
	2018	25,083	337	271
Stockholders' equity [6]	**2019**	**136,925**	**2,643**	**4,931**
	2018	136,782	2,381	4,634
Annualized return on average equity (%) [2] [6]	**2019**	**21.8%**	**11.0%**	**8.6%**
	2018	20.4%	14.9%	8.8%
Annualized recurring return on average equity (%) [2] [6]	**2019**	**21.1%**	**17.4%**	**5.8%**
	2018	20.5%	15.2%	5.5%
Internal fund generation [3]	**2019**	**68,507**	**700**	**1,277**
	2018	55,841	570	1,208
Interest of Itaúsa in companies [4] [5]	**2019**	**37.5%**	**28.9%**	**36.7%**
	2018	37.6%	27.6%	36.7%

(1) Operating revenue by area of operations was obtained as follows:

- Itaú Unibanco Holding: Interest and similar income, dividend income, adjustments to fair value of financial assets and liabilities, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.
- Alpargatas and Duratex: Sales of products and services.

(2) Represents the ratio of net income for the period and the average equity ((Dec + Sep + Jun + Mar + Jun + Dec18)/5).

(3) Refers to funds arising from operations as reported by the statement of cash flows.

(4) Represents the direct/ indirect Itaúsa interest in the Capital of Companies

(5) The Interest presented consider the outstanding shares.

(6) Net Income, Stockholders' Equity and ROE correspond to the amounts attributable to controlling stockholders.

4. Capital markets

Share performance

Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed 2019 at R$14.09, a 16.6% appreciation over the previous 12 months (or 27.9% as adjusted by earnings), whereas Ibovespa, B3's main index, rose by 31.6% in the same period.

The daily average financial volume of Itaúsa's preferred shares traded in 2019 was R$282 million, with an average of 28,000 daily trades, up 23.6% and 2.6%, respectively, on a year-on-year basis.

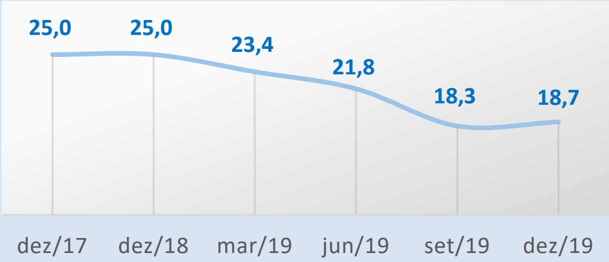
A broader stockholder base

On December 31, 2019, Itaúsa had 363,500 individual stockholders, up 179.7% from the number of 129,900 stockholders on a year-on-year basis.

Holding discount

Discount is an indicator resulting from the difference between the market price ascertained for Itaúsa's shares and the theoretical value obtained through the sum of the market values of the parts that compose the holding company's investments. On December 31, 2019, Itaúsa's shares were traded at a 18.7% discount, down 630 bps on a year-on-year basis.

Holding historical discount (%)



Part of this discount can be justified in view of the holding company's maintenance expenses, taxes levied on a fraction of the earnings received (tax inefficiency), and risk assessment, among other factors. Itaúsa's management believes that the discount reduction may be driven by the improvement in some of these factors and a better market perception of the foundations that justify it. It also understands that the current level does not reflect the proper indicator level.

Market capitalization on December 31, 2019, based on the price of the most liquid shares (ITSA4), was R$118.5 billion, whereas the sum of interests in investees at market value totaled R$145.5 billion.

The Investor Relations department discloses information about the discount, which may be received by email, on a monthly basis on its website. To receive it, please register on http://www.itausa.com.br/en/e-mail-alert.

5. Comments on the Performance of Investees

Itaú Unibanco Holding S.A.

Highlights

Technology investments

As a major strategy pillar, technology has been one of the investment focus to keep the bank up to date and ready to rise to the challenges posed by the market and meet its clients' expectations. Technology investments from 2016 to 2019 rose by 54%, which shows the bank's commitment to the advancement of digital solutions, cybersecurity and better client experiences.

Social Private Investment / Value Added Distributed

Itaú Unibanco invested R$846 million in social projects focused on education, culture, mobility, and diversity, among others, of which 71% were not supported by incentive laws. Furthermore, the bank added R$76 billion in value to society. Of this amount, R$23 billion were paid out as taxes, R$20 billion to its 95,000 employees, R$20 billion to stockholders of Itaú Unibanco, and R$9 billion were reinvested in the company.

Results

Net income[1] totaled R$8.7 billion in 4Q19, up 30.4% on a year-on-year basis, driven by non-recurring effects in the amount of R$2.2 billion, mainly related to gains from XP Investimentos going public, rise in CSLL rate,

R$ million (except where indicated)	4Q19	4Q18	Δ%	2019	2018	Δ%
Operating Revenues[2]	33,396.0	28,718.0	16.3%	117,079.0	104,200.0	12.4%
Net Income	8,674.0	6,653.0	30.4%	27,113.0	24,907.0	8.9%
ROE[1]	27.3%	21.5%	5.7 p.p.	21.6%	20.4%	1.2 p.p.
Recurring ROE	20.2%	22.1%	- 1.8 p.p.	20.9%	20.5%	0.4 p.p.
Loan Portfolio	709,438	640,544	10.8%	709,438	640,544	10.8%

[1] Attributable to controlling stockholders

and expenses on the voluntary severance program announced in the 2nd half of 2019. If we excluded these effects, net income would decrease by 5.6%, mainly driven by higher allowance for estimated losses on doubtful accounts as a result of the loan portfolio growth. In 2019, Net income[1] totaled R$27.1 billion, up 8.9% on a year-on-year basis, with recurring return on equity of 21.6%.

In 2019, Itaú Unibanco reported a 12.4% increase in Operating Revenues[2] on a year-on-year basis. Main factors leading to this result are as follows:

I. A 14.2% increase in **Interest Income[2]** mainly driven by the loan portfolio growth in all segments; and
II. A 6.9% increase in **Commissions** and **Fees and Result of Insurance Operations**, driven by a 26.3% increase in fund management fees, a 61.7% increase in revenues from economic-financial advisory and brokerage services, and higher credit and debit card commissions.

The **Expected Loss on Financial Assets and Claims** increased by R$8.4 billion from 2018, mainly driven by an increase in expected loan losses in Brazil, as a result of the growth in loan portfolios in the segments of very small, small, and middle-market companies, as well as of individuals, and by the downgrade in the ratings of certain specific corporate clients in Latin America.

General and Administrative Expenses were up 6.0% in 2019. Excluding the non-recurring effect arising from the voluntary severance program, this increase would be 1.9%, below the inflation for the period measured by the IPCA, which was 4.3%.

Capital Management and Liquidity

Capital management is vital, since it is a key element through which the bank seeks to optimize the application of funds and ensure the business soundness. At the end of December 2019, Tier I capital ratio was at 14.4%, above the minimum required by the Central Bank of Brazil. This index was strengthened by debt bond issues carried out over 2019.

This increase in loan portfolio, combined with profitability for 2019, has provided for the distribution of dividends and interest on capital, net, in the amount of R$18.8 billion.

For further information on Itaú Unibanco's results, please access: www.itau.com.br/investor-relations.

[2] Adjusted to tax effects on hedge instruments for foreign investments.

ALPARGATAS

Highlights

Sale of Alpargatas's interest in Argentina operation

Alpargatas improved its new position in terms of portfolio and capital allocation. In line with the revision of strategic assets, in 4Q19 it sold its interest in Alpargatas SAIC (subject to the fulfillment of certain conditions precedent), which holds brand Topper in Argentina and in the world, for R$260 million. Therefore, operations in Argentina are no longer consolidated by Alpargatas S.A., but they are rather recorded in "Results from Discontinued Operations", with no impact on the financial statements.

New Store Lab model

Alpargatas has opened a new store model for Havaianas, Osklen, and Mizuno, known as Store Lab. These new spaces provide innovative services, such as the opportunity for customers to interact with digital panels that show options for how products can be used on a daily basis, in addition to other colors that can be matched to the chosen piece. Technology allows the Company to quickly and efficiently test and scale innovations and launches.

Results

Consolidated net revenue increased by 5.6% and 9.8% in 4Q19 and 2019 on a year-on-year basis, respectively, mainly driven by the better performance of all business in Brazil (Havaianas, Mizuno, and Osklen) and in 2019 driven by better results in International Havaianas operations.

R$ million (except where indicated)	4Q19	4Q18	Δ%	2019	2018	Δ%
Net Revenue	1,142.7	1,081.8	5.6%	3,712.2	3,380.2	9.8%
EBITDA	214.5	158.0	35.8%	588.3	638.7	-7.9%
Net Income	135.0	118.3	14.1%	316.0	473.0	-33.2%
Recurring Net Income	197.1	159.5	23.6%	431.6	333.2	29.5%
ROE	20.9%	20.4%	0.4 p.p.	12.7%	21.3%	- 8.6 p.p.
Recurring ROE	17.3%	15.0%	2.3 p.p.	30.5%	27.6%	2.9 p.p.

In 4Q19, the net revenue of the **Brazil** line, represented by brands Havaianas, Mizuno and Osklen, totaled R$1 billion, up 6.8% on a year-on-year basis, mainly driven by the implementation of the Revenue Growth Management program, which gave rise to rise in prices and a better mix of channels in Havaianas, then partially offset by the fall in the sales volume. **Sandals International** reported a net revenue in 4Q19 of R$133.9 million, down 2.2% on a year-on-year basis, mainly driven by a poorer performance in the APAC (Asia Pacific) region due to the revision on distributors in that region. Gross profit increased by 15.8% in 4Q19 on a year-on-year basis, with a gain of 450 bps in gross margin, mainly driven by operations outperforming in Brazil, as the result of a better mix of channels and price rises.

In 4Q19, recurring EBITDA increased by 16.7% to R$248.8 million, driven by the Revenue Growth Management initiative in Brazil and the better cost and expenses management by the Company compared to 4Q18 as a result of the VIP 100% (Value Improvement Program) and ZBB (Zero-Base Budgeting) projects. Main non-recurring items impacting the 4Q19 were driven by the gain from the sale of properties and restructuring expenses and the provision for management members' long-term incentives. In 2019, recurring EBITDA totaled R$619 million, up 18.3% on a year-on-year basis.

In 4Q19, recurring net income was R$197 million, up 23.6% on a year-on-year basis. Net income in 4Q19, in turn, including discontinued operations, totaled R$135 million, a 14.1% increase.

Recurring net income in 2019 was R$431.6 million, up 29.5% on a year-on-year basis.

Operating cash generation in the last 12 months was R$389 million, and net cash position at the end of December 2019 was R$299.2 million.

For further information on Alpargatas' results, please access: https://ri.alpargatas.com.br.

Duratex

Highlights

New 4.0 line in the Ceramic Tiles unit starts off

In October 2019, the Ceramic Tiles unit started operating a new production line, adding six million sq. m. to Duratex's annual production capacity. This new line is consistent with Duratex's portfolio management strategy, the focus of which is on more value-added products. Furthermore, it is based on the concept of industry 4.0, that is, a tighter control over processes, greater efficiency, 100% digital, deemed as one of the most modern in the world. Another important factor is that the brand features have built strength and were incorporated into those of the Portinari brand, which focus on high-end customers.

JV incorporated for the build-up of a DWP plant

Aimed at less exposure in the domestic market, in addition to strengthening value creation, on December 19, 2019, Duratex announced the final approval, together with Austrian company Lenzing AG, for the set-up of a joint venture to produce and sell dissolving wood pulp (DWP). Operations are expected to start in the first half of 2022, and this new company will have a production capacity of 500,000 tons of DWP, with industrial investment of approximately R$5.2 billion.

Results

R$ million (except where indicated)	4Q19	4Q18	Δ%	2019	2018	Δ%
Net Revenue	1,486.2	1,263.4	17.6%	5,011.7	4,949.4	1.3%
EBITDA	596.8	(83.3)	-	1,359.2	1,545.9	-12.1%
Net Income	284.7	(142.0)	-	405.7	431.8	-6.0%
Recurring Net Income	157.8	151.3	4.3%	275.1	271.2	1.4%
ROE	23.5%	-11.3%	-	8.5%	8.8%	- 0.3 p.p.
Recurring ROE	13.0%	12.1%	0.9 p.p.	5.8%	5.5%	0.3 p.p.

Consolidated net revenue in 4Q19 totaled R$1,486 million, a 17.6% increase on a year-on-year basis, mainly driven by the effects of recognition of revenue from the sale of land and forests in 3Q19, partially offset by the write-off of assets of the Wood Panel Unit in Botucatu (SP). If we excluded this effect, net revenue would increase by 9.1%, mainly driven by the inclusion of Cecrisa's results, partially offset by the lower volume shipped in the wood segment. In 2019, consolidated net revenue, including the sale of forest assets, was up 1.3% compared to 2018, totaling R$5,012 million. If we excluded this effect, the growth would be 4.8%.

The **Wood Division's** net revenue totaled R$829.8 million in 4Q19, down 2.0% on a year-on-year basis. Excluding the aforementioned effect and the sale of the fiberboard business in 4Q18, the pro forma unit net revenue if the Wood Division would be 2.3% higher, as a result of a greater exposure to higher added-value products.

The **Deca Division's** net revenue totaled R$437.8 million, up 18,8% on a year-on-year basis, as a result of the 16.1% increase in volume shipped, which was mainly driven by the economic scenario gradually improving as of the second half of the year, and by the successful sales policy implementation.

The **Ceramic Tiles Division** posted net revenue of R$218.6 million, up 355.1% on a year-on-year basis, mainly driven by the full consolidation of Cecrisa's results and a greater sales volume, in line with the market growth.

Consolidated EBITDA in 4Q19 was R$596 million, reverting the negative result recorded in 4Q18, which had been impacted by accounting adjustments from the sale of land and forests and the restructuring of the assets base. Excluding these effects, consolidated recurring EBITDA would have increased by 17.5% in 4Q19, mainly driven by the full consolidation of Cecrisa's results, higher Deca Division's margins, and the enhanced management of costs and expenses carried out by Duratex. Net income totaled R$284.7 million, reverting the loss reported in 4Q18, as a result of the aforementioned factors. In 2019, EBITDA and recurring net income totaled R$908.9 million and R$275.1 million, respectively.

Net debt was R$1,705 million at the end of December 2019 and represented 1.88 times the adjusted recurring EBITDA for 12 months, thus indicating a significant decrease in the company's leverage level compared to previous periods, as a result of greater operating cash generation and the successful liability management strategy.

For further information on Duratex's results, please access: www.duratex.com.br/ri

Results

R$ million	4Q19	4Q18	Δ%	2019	2018	Δ%
Net Revenue	1,113	1,032	7.8%	4,406	4,040.9	9.0%
Net Income	576	502	14.9%	2,218	1,933.5	14.7%

In 4Q19, net revenue totaled R$1.113 million, up 8.0% on a year-on-year basis, mainly driven by the annual inflation-adjustment of gas ship-or-pay agreements Net income in 4Q19 totaled R$576 million, up 15.0% on a year-on-year basis. In 2019, NTS recorded net revenue of R$4,406 million and net income of R$2,218 million, up 15% from year 2018 as a consequence of a more favorable net financial result, mainly driven by lower financial expenses as a result of the debt restructuring.

Dividend and interest on capital

In the October-December 2019 period, Itaúsa received dividends and interest on capital, gross, in the amount of $40,3 million, as well as R$165.7 million in the year. In 2019 capital decreased in the total amount of R$624.3 million, driven by return of capital to stockholders, which resulted in Itaúsa receiving the amount of R$47.8 million in December 2019 in connection with its interest in NTS.

For further information on NTS' results, please access: https://ri.ntsbrasil.com

6. People Management

Itaúsa Conglomerate had the support of approximately 112 thousand employees on December 31, 2019, including 13 thousand employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 88 professionals on that same date.

7. Independent Auditors – CVM Instruction No. 381

Procedures adopted by the Company

The policy adopted by Itaúsa, its subsidiaries and parent company, to engage non-audit services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditors' independence. These principles include the following: (a) and auditor cannot audit his or her work; (b) an auditor cannot hold managerial positions at their client's; and (c) an auditor cannot promote the interests of its client.

In 2019, the independent auditors and related parties did not provide non-audit services in excess of 5% of total external audit fees.

Independent Auditors' Justification - PwC

The provision of non-audit services does not affect the independence or the objectivity of the external auditor of Itaúsa and its subsidiaries. The policy adopted for providing non-audit services to Itaúsa is based on principles that preserve the independence of the Independent Auditors, all of which were considered in the provision of the referred services.

8. Acknowledgements

We thank our stockholders for their trust, which we always try to repay by obtaining results differentiated from those of the market, and our employees, for their talent and dedication, which have enabled the sustainable growth of business.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

BOARD OF DIRECTORS

Chairman
Henri Penchas

Vice-Chairman
Alfredo Egydio Setubal
Ana Lúcia de Mattos Barretto Villela

Members
Paulo Setubal Neto
Rodolfo Villela Marino
Victório Carlos De Marchi

Alternative members
Edson Carlos De Marchi
Ricardo Egydio Setubal
Ricardo Villela Marino

FISCAL COUNCIL

President
Tereza Cristina Grossi Togni

Members
Eduardo Rogatto Luque
Flavio César Maia Luz
José Maria Rabelo
Paulo Ricardo Moraes Amaral

Alternative members
Carlos Eduardo de Mori Luporini
Felício Cintra do Prado Júnior
Guilherme Tadeu Pereira Júnior
Isaac Berensztejn
João Costa

EXECUTIVE BOARD

Chief Executive Officer
Alfredo Egydio Setubal (*)

Executive Vice-Presidents
Alfredo Egydio Arruda Villela Filho
Roberto Egydio Setubal
Rodolfo Villela Marino

Managing Officers
Frederico de Souza Queiroz Pascowitch
Maria Fernanda Ribas Caramuru
Priscila Grecco Toledo

(*) *Investor Relations Officer*

Accountant

Sandra Oliveira Ramos Medeiros
CRC 1SP 220.957/O-9

ITAUSA - INVESTIMENTOS ITAÚ S.A.

Balance Sheet

(In millions of Reais)

	Note	Parent company 12/31/2019	Parent company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
ASSETS					
Current assets					
Cash and cash equivalents	5	1,091	936	2,369	2,421
Marketable securities	6	1,213	1,030	1,213	1,030
Trade accounts receivable	7	-	-	1,135	1,215
Inventories	8	-	-	853	798
Dividends and interest on capital	9	171	270	141	85
Income tax and social contribution for offset		336	293	434	379
Other taxes for offset	10	2	2	91	71
Other assets	11	23	19	145	348
Total current assets		**2,836**	**2,550**	**6,381**	**6,347**
Non-current assets					
Long-term receivables		862	900	3,663	3,064
Biological assets	12	-	-	1,544	1,565
Judicial deposits		38	37	104	96
Employee benefits	30.1.1	11	-	121	111
Deferred income tax and social contribution	13	777	860	1,108	1,091
Other taxes for offset	10	-	-	17	14
Right-of-use assets	14	12	-	567	-
Other assets	11	24	3	202	187
Investments	15	54,766	54,810	53,040	52,831
Property, plant and equipment	16	103	99	3,669	3,338
Intangible assets	17	4	1	723	423
Total non-current assets		**55,735**	**55,810**	**61,095**	**59,656**
TOTAL ASSETS		**58,571**	**58,360**	**67,476**	**66,003**
LIABILITIES AND EQUITY					
Current liabilities					
Trade accounts payable	18	6	5	631	444
Personnel expenses		26	5	174	140
Debts	19	-	-	806	705
Debentures	20	6	8	72	8
Income tax and social contribution payable		-	-	58	18
Other taxes payable	10	8	6	89	41
Dividends and interest on capital	22.5.2	397	408	485	770
Leases	14	2	-	23	-
Other liabilities	11	7	4	238	216
Total current liabilities		**452**	**436**	**2,576**	**2,342**
Non-current liabilities					
Debts	19	-	-	879	2,158
Debentures	20	1,200	1,200	2,398	1,200
Leases	14	10	-	561	-
Provisions for contingencies	21	1,338	1,285	1,673	1,448
Deferred income tax and social contribution	13	-	-	213	259
Other taxes payable	10	-	-	127	-
Employee benefits	30.2	-	-	72	30
Other liabilities	11	339	296	620	487
Total non-current liabilities		**2,887**	**2,781**	**6,543**	**5,582**
TOTAL LIABILITIES		**3,339**	**3,217**	**9,119**	**7,924**
EQUITY					
Capital	22.1	43,515	43,515	43,515	43,515
Capital reserves	22.2	529	633	529	633
Revenue reserves	22.2	12,950	12,706	12,950	12,706
Carrying value adjustments	22.4	(1,762)	(1,711)	(1,762)	(1,711)
Total equity attributable to controlling stockholders		**55,232**	**55,143**	**55,232**	**55,143**
Non-controlling interests		-	-	3,125	2,936
Total equity		**55,232**	**55,143**	**58,357**	**58,079**
TOTAL LIABILITIES AND EQUITY		**58,571**	**58,360**	**67,476**	**66,003**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Statements of Income for the Year

(In millions of Reais)

	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Net revenue	23	-	-	5,008	5,375
Cost of products and services	24	-	-	(3,718)	(4,006)
Gross profit		-	-	**1,290**	**1,369**
Operating income and expenses					
Selling expenses	24	-	-	(716)	(721)
General and administrative expenses	24	(123)	(85)	(387)	(342)
Equity in the earnings of investees	15	10,436	9,724	10,272	9,537
Other income and expenses	25	201	38	535	383
Total Operating income and expenses		**10,514**	**9,677**	**9,704**	**8,857**
Profit before finance result and income tax and social contribution		**10,514**	**9,677**	**10,994**	**10,226**
Finance result					
Finance income	26	374	270	496	446
Finance costs	26	(495)	(555)	(760)	(853)
Total Financial Result		**(121)**	**(285)**	**(264)**	**(407)**
Profit before income tax and social contribution		**10,393**	**9,392**	**10,730**	**9,819**
Income tax and social contribution					
Current income tax and social contribution	27	-	(3)	(165)	(329)
Deferred income tax and social contribution	27	(81)	47	4	220
Total Income tax and social contribution		**(81)**	**44**	**(161)**	**(109)**
Profit for the year		**10,312**	**9,436**	**10,569**	**9,710**
Profit attributable to controlling stockholders		10,312	9,436	10,312	9,436
Profit attributable to non-controlling interests		-	-	257	274
Basic and diluted earnings per share (in Brazilian reais)					
Common		1.23	1.13	1.23	1.13
Preferred		1.23	1.13	1.23	1.13

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Statements of Comprehensive Income

(In millions of Reais)

	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Profit for the year	**10,312**	**9,436**	**10,569**	**9,710**
Other comprehensive income				
Items that will be reclassified to profit or loss (net of taxes)				
Equity in other comprehensive income	84	(27)	-	-
Adjustment to the fair value of financial assets	-	-	678	(62)
Hedge	-	-	(5)	(426)
Foreign exchange variation on foreign investments	-	-	(589)	461
Items that will not be reclassified to profit or loss (net of taxes)				
Equity in other comprehensive income	(135)	(61)	-	-
Remeasurement of post-employment benefits	-	-	(135)	(61)
Total Other comprehensive income	**(51)**	**(88)**	**(51)**	**(88)**
Total comprehensive income	**10,261**	**9,348**	**10,518**	**9,622**
Attributable to controlling stockholders	10,261	9,348	10,261	9,348
Attributable to non-controlling interests	-	-	257	274

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Statements of Changes in Equity

(In millions of Reais)

	Attributable to controlling stockholders								
	Capital	Capital reserves	Revenue reserves	Treasury shares	Carrying value adjustments	Retained earnings	Total Parent Company	Non-controlling interests	Total Consolidated
Balance on December 31, 2017	**37,145**	**719**	**15,685**	**-**	**(1,623)**	**-**	**51,926**	**2,993**	**54,919**
Transactions with stockholders									
Capital subscription and payment	1,370	-	-	-	-	-	1,370	-	1,370
Purchase of treasury shares	-	-	-	(32)	-	-	(32)	-	(32)
Disposal/Cancellation of treasury shares	-	-	(32)	32	-	-	-	-	-
Capital increase with the payment of revenue reserves	5,000	-	(5,000)	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	15	15
Reversal of expired dividends	-	-	1	-	-	-	1	-	1
Dividends and interest on capital from previous year	-	-	(5,002)	-	-	-	(5,002)	-	(5,002)
Transactions with subsidiaries and jointly-controlled companies	-	(86)	31	-	-	-	(55)	-	(55)
Other comprehensive income									
Equity in other comprehensive income	-	-	-	-	(88)	-	(88)	-	(88)
Profit for the year	-	-	-	-	-	9,436	9,436	274	9,710
Appropriation									
Legal reserve	-	-	472	-	-	(472)	-	-	-
Dividends and interest on capital for the year	-	-	-	-	-	(2,413)	(2,413)	(346)	(2,759)
Dividends and interest on capital (revenue reserve)	-	-	6,429	-	-	(6,429)	-	-	-
Statutory reserves	-	-	122	-	-	(122)	-	-	-
Balance on December 31, 2018	**43,515**	**633**	**12,706**	**-**	**(1,711)**	**-**	**55,143**	**2,936**	**58,079**
Transactions with stockholders									
Change in non-controlling interests	-	-	-	-	-	-	-	5	5
Reversal of expired dividends	-	-	1	-	-	-	1	-	1
Dividends and interest on capital from previous year	-	-	(6,429)	-	-	-	(6,429)	-	(6,429)
Transactions with subsidiaries and jointly-controlled companies	-	(104)	(54)	-	-	-	(158)	-	(158)
Other comprehensive income									
Equity in other comprehensive income	-	-	-	-	(51)	-	(51)	-	(51)
Profit for the year	-	-	-	-	-	10,312	10,312	257	10,569
Appropriation									
Legal reserve	-	-	516	-	-	(516)	-	-	-
Dividends and interest on capital for the year	-	-	-	-	-	(3,586)	(3,586)	(73)	(3,659)
Dividends and interest on capital (revenue reserve)	-	-	3,729	-	-	(3,729)	-	-	-
Statutory reserves	-	-	2,481	-	-	(2,481)	-	-	-
Balance on December 31, 2019	**43,515**	**529**	**12,950**	**-**	**(1,762)**	**-**	**55,232**	**3,125**	**58,357**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Statements of Cash Flows

(In millions of Reais)

		Parent company		Consolidated	
	Note	2019	2018	2019	2018
Cash flows from operating activities					
Adjustments for reconciliation of profit					
Profit before income tax and social contribution		10,393	9,392	10,730	9,819
Equity in the earnings of investees		(10,436)	(9,724)	(10,272)	(9,537)
Provisions for contingencies		163	190	221	223
Interest and foreign exchange and monetary variations, net		(99)	34	110	249
Depreciation, amortization and depletion		5	3	726	825
Changes in the fair value of biological assets		-	-	(126)	(148)
Allowance for estimated losses on doubtful accounts		-	-	11	3
Proceeds from the sale of investments, property, plant and equipment and intangible assets		(27)	121	(317)	(502)
Other		-	-	184	220
		(1)	**16**	**1,267**	**1,152**
Changes in assets and liabilities					
(Increase) decrease in trade accounts receivable		-	-	210	(262)
(Increase) decrease in inventories		-	-	43	(43)
(Increase) decrease in other taxes for offset		(22)	(27)	28	(15)
(Increase) decrease in other assets		247	381	193	383
Increase (decrease) in other taxes payable		(1)	(18)	79	(91)
Increase (decrease) in trade accounts payable		-	4	144	131
Increase (decrease) in personnel expenses		6	-	(6)	-
Increase (decrease) in other liabilities		(451)	(1,240)	(627)	(1,245)
		(221)	**(900)**	**64**	**(1,142)**
Cash from operations		**(222)**	**(884)**	**1,331**	**10**
Payment of income tax and social contribution		-	-	(175)	(331)
Interest paid on debts and debentures		(77)	(85)	(354)	(341)
Net cash (used in) provided by operating activities		**(299)**	**(969)**	**802**	**(662)**
Cash flows from investing activities					
Acquisition of investments		(154)	-	(154)	-
Disposal of investments		-	45	-	45
(Increase) Decrease of capital in investee companies		48	53	(25)	11
Receipt of interest on debentures		-	16	-	16
Acquisition of property, plant and equipment and intangible and biological assets		(20)	(14)	(476)	(464)
Disposal of property, plant and equipment and intangible and biological assets		37	-	598	561
Interest on capital and dividends received		9,951	7,762	9,768	7,738
Cash and cash equivalents of subsidiaries incorporated/acquired		304	-	(274)	-
Redemption of debentures		-	442	-	442
Net cash provided by investing activities		**10,166**	**8,304**	**9,437**	**8,349**
Cash flows from financing activities					
Payment of capital		-	664	-	664
(Acquisition) disposal of treasury shares		-	(32)	3	(30)
Interest on capital and dividends paid	22.3	(9,711)	(6,602)	(10,071)	(6,644)
Proceeds from debts and debentures	19.2 e 20.2	-	20	1,207	431
Amortization of debts and debentures	19.2 e 20.2	-	(520)	(1,358)	(909)
Amortization of lease liabilities	14.2	(1)	-	(74)	-
Net cash used in financing activities		**(9,712)**	**(6,470)**	**(10,293)**	**(6,488)**
Foreign exchange variation on cash and cash equivalents		-	-	2	4
Net increase (decrease) in cash and cash equivalents		**155**	**865**	**(52)**	**1,203**
Cash and cash equivalents at the beginning of the year		936	71	2,421	1,218
Cash and cash equivalents at the end of the year		1,091	936	2,369	2,421
		155	**865**	**(52)**	**1,203**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Statements of Value Added

(In millions of Reais)

	Parent company		Consolidated	
	2019	2018	2019	2018
Revenue	-	-	6,598	7,326
Sales of products and services	-	-	6,211	6,667
Allowance for estimated losses on doubtful accounts	-	-	(11)	(15)
Other revenue	-	-	398	674
Inputs acquired from third parties	**(79)**	**(190)**	**(4,021)**	**(4,652)**
Cost of products and services	-	-	(3,267)	(3,495)
Materials, electric energy, outsourced services and other	(79)	(190)	(745)	(933)
Impairment of assets	-	-	(9)	(224)
Gross value added	**(79)**	**(190)**	**2,577**	**2,674**
Depreciation, amortization and depletion	(5)	(3)	(726)	(825)
Value added generated, net	**(84)**	**(193)**	**1,851**	**1,849**
Value added received through transfer	**11,016**	**10,154**	**10,977**	**10,144**
Equity in the earnings of investees	10,436	9,724	10,272	9,537
Finance income	374	270	496	446
Other revenue	206	160	209	161
Total undistributed value added	**10,932**	**9,961**	**12,828**	**11,993**
Distribution of value added	**10,932**	**9,961**	**12,828**	**11,993**
Personnel	**38**	**12**	**853**	**857**
Direct compensation	35	12	686	691
Benefits	2	-	122	123
Government Severance Pay Fund (FGTS)	1	-	41	42
Other	-	-	4	1
Taxes, fees and contributions	**356**	**267**	**916**	**902**
Federal	355	267	852	876
State	-	-	52	16
Municipal	1	-	12	10
Return on third parties' capital	**226**	**246**	**490**	**524**
Interest	226	246	490	523
Rentals	-	-	-	1
Return on capital	**10,312**	**9,436**	**10,569**	**9,710**
Dividends and interest on capital	7,315	8,842	7,315	8,842
Retained earnings	2,997	594	2,997	594
Non-controlling interests in retained earnings	-	-	257	274

The accompanying notes are an integral part of these financial statements.

ITAÚSA – INVESTIMENTOS ITAÚ S.A.
NOTES TO THE FINANCIAL STATEMENTS
at December 31, 2019 and 2018
(In millions of reais, unless otherwise stated)

1. OPERATIONS

Itaúsa – Investimentos Itaú S.A. ("ITAÚSA") is a publicly-held company, organized and existing under the laws of Brazil, and it is located at Av. Paulista, 1.938, 5º andar, Bela Vista, in the city of São Paulo, State of São Paulo (SP), Brazil.

The shares of ITAÚSA are recorded at the Level 1 of Corporate Governance of B3 S.A. – Brasil, Bolsa, Balcão, under the ticker symbols "ITSA3" for the common shares and "ITSA4" for the preferred shares. In addition to the Bovespa Index, Ibovespa, ITAÚSA shares are part of some segment portfolios at B3, including the Corporate Governance Index (IGC) and the Corporate Sustainability Index (ISE).

The corporate purpose of ITAÚSA is to hold equity interests in other companies, in Brazil or abroad, for investment in any sectors of the economy, including through investment funds, disseminating among its investees its principles of appreciation of human capital, governance, and ethics in business, and creation of value for its stockholders on a sustainable basis. ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family, which holds 63.27% of the common shares and 18.57% of the preferred shares, making up 33.93% of total capital.

Through its controlled and jointly-controlled companies and other investments, ITAÚSA participates in the markets of financial services ("Itaú Unibanco Holding"), wood panels, bathroom fixtures and fittings, ceramic tiles and electric showers ("Duratex"), footwear, apparel and sports products ("Alpargatas") and transportation of natural gas through pipelines ("NTS"). For further information, please see note 31 "Segment Information".

The investment portfolio of ITAÚSA is composed of the following entities:

	Country of incorporation	Activity	Holding % (direct and indirect)	
			12/31/2019	12/31/2018
Joint ventures				
Itaú Unibanco Holding S.A. ("Itaú Unibanco")	Brazil	Holding company/Financial institution	37.45%	37.55%
IUPAR - Itaú Unibanco Participações S.A. ("IUPAR")	Brazil	Holding company	66.53%	66.53%
Alpargatas S.A. ("Alpargatas")	Brazil	Footwear, apparel and sports products	28.88%	27.55%
Controlled companies				
Duratex S.A. ("Duratex")	Brazil	Wood panels and bathroom fixtures and fittings	36.65%	36.67%
Itaúsa Empreendimentos S.A. ("Itaúsa Empreendimentos")	Brazil	Provision of services	-	100.00%
Itautec S.A. ("Itautec")	Brazil	Holding company	100.00%	98.93%
ITH Zux Cayman Ltd. ("ITH Zux Cayman")	Cayman Islands	Holding company	100.00%	100.00%
Financial assets				
Nova Transportadora do Sudeste S.A. – NTS ("NTS")	Brazil	Transportation of natural gas	7.65%	7.65%

(1) Company merged into ITAÚSA on August 30, 2019 (Note 15.1.2)

These parent company and consolidated financial statements were approved by the Board of Directors on February 17, 2020.

2. BASIS OF PREPARATION AND PRESENTATION

2.1. Statement of compliance

The parent company and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil. The accounting practices adopted in Brazil comprise the Pronouncements, Interpretations and Guidance issued by the Accounting Pronouncements Committee (CPC), which were approved by the Brazilian Securities and Exchange Commission (CVM) and the Federal Accounting Council.

The presentation of the parent company and consolidated statements of value added is required by Brazilian Corporate Law and by the accounting practices adopted in Brazil that are applicable to publicly-held companies. The Statement of Value Added was prepared in accordance with the criteria defined in the Accounting Pronouncement CPC 09 – Statement of Value Added, however, the IFRS do not require the presentation of this statement. As a consequence, according to the IFRS, this statement is presented as additional information, without prejudice to the Financial Statements as a whole.

All the relevant information to these Financial Statements, and only this information, is evidenced and is consistent with the information used by ITAÚSA in its activities.

2.2. Measurement basis

The parent company and consolidated financial statements have been prepared under the historical cost convention, except for: (i) certain financial assets and liabilities that were measured at fair value, as stated in Note 4.1.1; (ii) liabilities of the defined benefit that are recognized at fair value limited to the recognized assets, as stated in Note 30; and (iii) biological assets measured at fair value through profit or loss, as stated in Note 12.

2.3. Functional currency and translation of balances and transactions in foreign currency

The parent company and consolidated financial statements have been prepared and are being presented in Brazilian reais (R$), which is functional and presentation currency, and all balances are rounded to millions of reais, unless otherwise stated.

The definition of the functional currency reflects the main economic environment where ITAÚSA and its controlled companies operate.

The assets and liabilities of subsidiaries with a functional currency that is different from the Brazilian real, when applicable, are translated as follows:

- Assets and liabilities are translated at the foreign exchange rate of the balance sheet date;
- Income and expenses are translated at the monthly average foreign exchange rate;
- Foreign currency translation gains and losses are recorded in the “Other comprehensive income” account.

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end foreign exchange rates are recognized in Finance result.

2.4. Use of estimates and judgments

In the preparation of the financial statements, the management of ITAÚSA and its controlled companies are required to use judgments, estimates and assumptions that affect the balances of assets, liabilities, income and expenses in the years presented and in subsequent periods.

The judgments, estimates and assumptions are based on information available on the date of the preparation of the financial statements, in addition to the experience from past and/or current events, and also taking into consideration assumptions related to future events. Additionally, when necessary, the judgments and estimates are supported by opinions prepared by experts. These estimates are periodically reviewed and their results may differ from the originally estimated amounts.

The estimates and assumptions that have a significant risk that is likely to cause a material adjustment to the amounts in the financial statements within the coming years are as follows:

- Recognition of deferred taxes (Notes 3.10, 13 and 27);
- Determination of the fair value of financial instruments, including derivatives (Notes 3.1.4 and 4.1.2);
- Provisions, Contingent assets and liabilities (Notes 3.14 and 21);
- Determination of the fair value of biological assets (Notes 3.5 and 12);
- Recognition of assets and liabilities related to pension plans (Notes 3.11 and 30); and
- Analysis of impairment of assets (Notes 3.9, 15.4, 16.4 and 17.4).

2.5. Consolidation of the financial statements

The consolidated financial statements have been prepared in accordance with the standards established by CPC 36 (R3)/ IFRS 10 – Consolidated Financial Statements.

ITAÚSA consolidates its controlled companies from the moment it obtains the control over them. The financial statements of the controlled companies are prepared on the same base date as those of ITAÚSA using consistent accounting policies and practices. When necessary, adjustments are made to the financial statements of the controlled companies to adapt their accounting practices and policies to ITAÚSA's accounting policies.

Minority interests amounts, arising from subsidiaries whose ownership interest held by ITAÚSA does not correspond to total capital stock, are stated separately in the Balance Sheet under "Minority Interests" and in the Statement of Income under "Net income attributable to non-controlling stockholders".

Intercompany transactions, balances and unrealized gains and losses on transactions between consolidated companies were eliminated.

2.6. Adoption of the new and revised accounting standards

Continuing the permanent process of revision of the accounting Standards, IASB and, consequently, the Accounting Pronouncements Committee (CPC) issued new standards and revisions of the existing standards.

2.6.1. New and revised standards and interpretations that have already been issued by CPC but that have not yet been adopted by ITAÚSA and its controlled companies

CPC 00 (R2) / *Conceptual Framework* – Conceptual Framework for Financial Reporting

CPC 00 (R2) was approved in November 1, 2019 to amend CPC 00 (R1) – Conceptual Framework, issued in 2011. Main amendments were as follows: (i) it sets out the objective of general purpose financial reporting; (ii) the qualitative characteristics of useful financial information; (iii) improving definitions of an asset, a liability, income and expenses; (iv) criteria for including financial assets and liabilities in the financial statements and guidance on when to remove them; (v) measurement bases and guidance on when to use them; and (vi) concepts and guidance on presentation and disclosure.

CPC 00 (R2) amendments will be effective for annual reporting periods beginning on or after January 1, 2019, and ITAÚSA and subsidiaries do not expect significant impacts on financial statements upon adoption.

Revision of Technical Pronouncements of CPC 14

This revision sets out amendments in a number of pronouncements, interpretations and guidance as a result of: (i) amendments in a number of CPCs driven by the issue of CPC 00 (R2); (ii) the amended definition of business combinations in CPC 15; and (iii) the amended denomination of CPC 06 (R2) to Leases.

These amendments, as proposed by the revision, will be effective as of January 1, 2020, and ITAÚSA and subsidiaries do not expect significant impacts on financial statements upon adoption.

2.6.2. Revised standards and interpretations that have already been issued by CPC and that have been adopted by ITAÚSA and its controlled companies since January 1, 2019

CPC 06 (R2) / (IFRS 16) – Leases

CPC 06 (R2) replaced CPC 06 (R1), as well as the related interpretations, and eliminated the accounting for operating leases by the lessee, presenting a single lease model, which consists of: (i) initially recognizing all leases in assets and liabilities at present value; and (ii) recognizing the depreciation of assets and interest on leases separately in profit or loss.

The major impact of the adoption of CPC 06 (R2) on ITAÚSA's financial statements on the transition date results from the effects determined by its controlled company Duratex and is related to the lease of rural land at the present value of R$488. The other leases comprise administrative real estate properties, a distribution center and vehicles in the amount of R$13. These amounts were recorded in the "Right of use" account in assets and in the "Leases" account in liabilities.

Lease liabilities were measured at the present value of the remaining payments, discounted at the incremental rate on their debts. Meanwhile, right-of-use assets were measured at the same amount as the lease liabilities, adjusted by prepaid or accumulated lease payment amounts related to these leases recorded in the balance sheet immediately before the date of initial adoption.

ITAÚSA and its controlled companies adopted CPC 06 (R2) using the modified retroactive transition method, that is, the effect of the adoption was recognized in the opening balances on January 1, 2019, and comparative information was not adjusted. Additionally, for contracts whose terms are shorter than 12 months or whose amounts are low, ITAÚSA and its controlled companies recognized the payments as expenses using the straight-line method over their terms.

For further information, please see note 14.

ICPC 22 / IFRIC 23 – Uncertainty over Income Tax Treatments

This interpretation clarifies the accounting of recognition and measurement requirements of CPC 32 / IAS 12 – Income Taxes, when there is uncertainty of whether the treatment of income taxes (corporate income tax and social contribution on net income) will be accepted by tax authorities.

This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. There were no significant impact on the financial statements of ITAÚSA and subsidiaries, as all pronouncements adopted for determination and payment of income taxes are in compliance with legislation in force.

Revision of Technical Pronouncements of CPC 13

This document sets out amendments to interpretations and technical pronouncements mainly in relation to: (i) amendments to a number of CPCs as a result of the issue of CPC 06 (R2); (ii) amendments in long-term interests ("LTI") in subsidiaries, joint ventures, and associates; (iii) amendments to CPC 33 (R1) as a result of changes, reductions or settlement of employee benefit plans; and (iv) annual amendments by IASB to the Improvements to IFRS Standards 2015-2017 Cycle.

This revision is effective for annual reporting periods beginning on or after January 1, 2019, and there were no significant impacts to the financial statements of ITAÚSA and subsidiaries.

2.7. Restatement of the financial statements

Based on the guidance contained in OCPC 07 - Evidence in the Disclosure of General Purpose Accounting and Financial Reports, ITAÚSA is restating the Balance Sheet and the Statement of Income for December 31, 2018 for the purpose of better presenting its accounting information, always based on the faithful representation, materiality and relevance of the information.

Please find below the items in the Balance Sheet and Statement of Income restated for better presentation of balances:

Balance Sheet

ASSETS	Parent company – Published	Parent company – Reclassification	Parent company – Restated	Consolidated – Published	Consolidated – Reclassification	Consolidated – Restated
Current assets						
Financial assets at fair value through profit or loss	1,030	(1,030)	-	1,030	(1,030)	-
Marketable securities	-	1,030	1,030	-	1,030	1,030
Dividends and interest on capital	270	-	270	-	85	85
Income tax and social contribution for offset	293	-	293	399	(20)	379
Other assets	19	-	19	402	(54)	348
Total current assets	2,550	-	2,550	6,328	19	6,347
Non-current assets						
Long-term receivables						
Judicial deposits	37	-	37	-	96	96
Employee benefits	-	-	-	-	111	111
Deferred income tax and social contribution	920	(60)	860	1,294	(203)	1,091
Other taxes for offset	-	-	-	-	14	14
Other assets	4	(1)	3	427	(240)	187
	961	(61)	900	3,286	(222)	3,064
Intangible assets	-	1	1	423	-	423
Total non-current assets	55,870	(60)	55,810	59,878	(222)	59,656
TOTAL ASSETS	**58,420**	**(60)**	**58,360**	**66,206**	**(203)**	**66,003**

LIABILITIES	Parent company – Published	Parent company – Reclassification	Parent company – Restated	Consolidated – Published	Consolidated – Reclassification	Consolidated – Restated
Current liabilities						
Trade accounts payable	-	5	5	-	444	444
Personnel expenses	-	5	5	-	140	140
Debentures	28	(20)	8	8	-	8
Income tax and social contribution payable	-	-	-	26	(8)	18
Other taxes payable	7	(1)	6	29	12	41
Dividends and interest on capital	408	-	408	772	(2)	770
Other liabilities	13	(9)	4	843	(627)	216
Total current liabilities	456	(20)	436	2,383	(41)	2,342
Non-current liabilities						
Debêntures	1,180	20	1,200	1,200	-	1,200
Deferred income tax and social contribution	60	- 60	-	462	(203)	259
Employee benefits	-	-	-	-	30	30
Other liabilities	296	-	296	476	11	487
Total non-current liabilities	2,821	(40)	2,781	5,744	(162)	5,582
TOTAL LIABILITIES AND EQUITY	**58,420**	**(60)**	**58,360**	**66,206**	**(203)**	**66,003**

Statement of Income

	Parent company – Published	Parent company – Reclassification	Parent company – Restated	Consolidated – Published	Consolidated – Reclassification	Consolidated – Restated
Cost of products and services	-	-	-	(4,011)	5	(4,006)
Gross profit	-	-	-	**1,364**	**5**	**1,369**
Operating income and expenses						
General and administrative expenses	(80)	(5)	(85)	(319)	(23)	(342)
Tax expenses	(308)	308	-	(310)	310	-
Other income and expenses	38	-	38	376	7	383
	9,374	303	9,677	8,563	294	8,857
Profit before finance result and income tax and social contribution	**9,374**	**303**	**9,677**	**9,927**	**299**	**10,226**
Finance result						
Finance income	270	-	270	441	5	446
Finance costs	(252)	(303)	(555)	(549)	(304)	(853)
	18	(303)	(285)	(108)	(299)	(407)
Profit before income tax and social contribution	**9,392**	**-**	**9,392**	**9,819**	**-**	**9,819**
PROFIT FOR THE YEAR	**9,436**	**-**	**9,436**	**9,710**	**-**	**9,710**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Financial instruments

Financial instruments are recognized on the trading date, that is, when the obligation or the right becomes effective and they are initially recorded at fair value plus or minus any transaction costs that are directly attributed to them.

They are written off when the contractual rights to the cash flows expire, that is, when there is certainty of the termination of the right or the obligation of receipt, of the delivery of cash or security. In situations like this, management, based on consistent information, proceeds with the accounting entry for settlement.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legal enforceable right to offset the recognized amounts and an intention to settle them or to realize the asset and settle the liability at the same time.

3.1.1. Financial assets

After the initial recognition at fair value, financial assets are classified and measured by means of: (i) the assessment of the business model for the management of financial assets; and (ii) the characteristics of their contractual cash flows. Financial assets are measured as follows:

- **Amortized cost:** Financial assets whose cash flows' characteristic corresponds, exclusively, to the payment of the principal amount and interest and that are managed under a business model for the obtainment of the contractual cash flows of the instrument. They are recognized using the effective interest method.

- **Fair value through other comprehensive income:** Financial assets whose cash flows' characteristic also corresponds to the payment of the principal amount and interest but that are managed under a business model that involves the obtainment of cash flows by both the maintenance of the contract and the sale of the asset. They are recognized as a contra-entry to "Other comprehensive income" in Equity.

- **Fair value through profit or loss:** Financial assets whose cash flows' characteristic does not correspond only to the payment of the principal amount and interest or that are managed under a business model for sale in the short term. They are recognized as a contra-entry to profit or loss.

ITAÚSA and its controlled companies regularly assess the need to recognize impairment losses for all financial assets measured at amortized cost. For the purpose of determining impairment losses, many elements are considered, such as the credit status of every financial asset, the analysis of the economic or sector environment, and the history of losses recognized in previous periods.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, recognized as a contra-entry to profit or loss. If a financial asset is subject to a variable interest rate, the discount rate to measure an impairment loss is the current effective interest rate determined in accordance with the contract.

A previously recognized impairment loss may be reversed if there is a change in the assumptions used to determine the asset's recoverable amount and it is also recognized in profit or loss.

3.1.2. Financial liabilities

After the initial recognition at fair value, as a general rule, the financial liabilities are classified and measured at amortized cost.

The financial liabilities will only be classified as fair value through profit or loss if they are: (i) derivatives; (ii) financial liabilities arising from transferred financial assets that did not qualify for derecognition; (iii) financial guarantee contracts; (iv) commitments to grant loans with interest rates that are lower than those adopted in the market; and (v) contingent consideration recognized by an acquirer in a business combination.

ITAÚSA and its controlled companies may also classify a financial liability as fair value through profit or loss when: (i) they wish to eliminate or significantly reduce a measurement or recognition inconsistency that, otherwise, may result from the measurement of assets or liabilities or from the recognition of gains and losses on these assets and liabilities on different bases; or (ii) the performance of a financial liability is assessed based on its fair value in accordance with a documented risk management or investment strategy internally provided by management.

3.1.3. Derivatives

A derivative financial instrument may be identified provided that: (i) its value is influenced by the fluctuation of the rate or price of a financial instrument; (ii) it does not need an initial investment or it is far lower than what it would be in similar contracts; and (iii) it will always be settled on a future date. Only if all these characteristics are met we can classify a financial instrument as a derivative.

They are recognized at fair value and the gains and losses resulting from this revaluation are recorded in profit or loss, except when the derivative is classified as a cash flow hedge and the gains and losses from the effective portion are recorded in “Other comprehensive income” in Equity.

The derivative financial instruments are held to protect the exposures to risks of variation in foreign currency and interest rates. ITAÚSA and its controlled companies do not contract derivatives of a speculative nature. The results obtained from these operations are consistent with the policies and strategies defined by management.

3.1.4. Fair value

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in an arm’s length transaction between market players on the measurement date.

The fair value of financial instruments, including derivatives, is determined through the use of evaluation techniques, based on assumptions, that take into consideration management’s judgment and the conditions existing in the market on the date of the financial statements. These evaluation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and options pricing models that preferentially use information from market sources rather than information from the management of ITAÚSA and its controlled companies.

ITAÚSA and its controlled companies classify the measurements of fair value using the fair value hierarchy, which reflects the importance of the data used in the measurement process, as shown below:

- Level 1: prices (unadjusted) quoted for identical assets and liabilities in active markets;
- Level 2: different prices from those traded in active markets included in Level 1 but that are directly or indirectly observable for assets and liabilities; and
- Level 3: prices based on variables that are non-observable in the market, usually obtained internally or from other sources that are not considered market sources.

ITAÚSA and its controlled companies understand that the methodologies adopted are appropriate and consistent with those of other market players, however, the adoption of other methodologies or the use of different assumptions to determine the fair value may result in different estimates of fair values.

3.2. Cash and cash equivalents

They correspond to resources used in the management of short-term commitments and include cash in hand, bank accounts and highly-liquid financial investments with maturities of three months or less and with immaterial risk of change in market value. Cash in hand and bank accounts are stated at amortized costs. Highly-liquid financial investments are recorded at the amount invested plus earnings earned and have no significant difference from its market value, as it corresponds to its fair value.

3.3. Trade accounts receivable

They correspond to the amounts receivable in the ordinary course of the activities of the controlled companies. They are initially recorded at the fair value of the consideration to be received plus, when applicable, the foreign exchange variation. Subsequently, they are measured at amortized cost less the allowance for estimated losses on doubtful accounts. They refer, in their totality, to short-term transactions and, therefore, they are not adjusted to present value because they do not represent significant adjustments to the financial statements. The fair value of these accounts receivable is estimated to be substantially similar to their carrying amount.

The allowance for estimated losses on doubtful accounts is recognized based on an individual analysis of amounts receivable, taking into consideration mainly: (i) significant financial difficulty of the issuer or debtor; and (ii) a breach of a contract, such as default or arrears in the payment of interest or the principal amount.

Since receivables have no significant financing components, based on a simplified approach, the allowance for estimated losses on doubtful accounts is recorded over the entire life of the receivable by applying a percentage calculated based on a study of the history of default segregated in parameters, as follows: (i) segment; (ii) billing date; and (iii) maturity date.

Although the risk matrix is to be reviewed on a yearly basis, this study may be reassessed if the behavior of the allowance for estimated losses on doubtful accounts is different from expected results.

Allowance for estimated losses on doubtful accounts is recognized based on the analysis of realization risks of credit in an amount deemed sufficient by Management to cover possible losses upon realization of these assets.The subsequent recoveries of amounts that had previously been written off are credited to the “Other income and expenses” account in the statement of income.

3.4. Inventories

These are measured at the lowest of cost and net realizable value. Cost corresponds to the average cost of acquisition or production, calculated based on the moving weighted average, which does not exceed the replacement or realization amounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated conclusion costs and selling expenses.

The controlled company Duratex has a policy to recognize a provision for losses on slow-moving or obsolete inventories. Management believes that the provisions for losses on inventories were recognized at sufficient amounts.

3.5. Biological assets

Forest reserves are recognized at fair value, less the estimated selling costs at the time of harvest. For immature plantations (up to one year of life for eucalyptus forests and four years for pine forests), their cost is considered to approximate their fair value. Biological assets are measured every three months or as cycle counts are completed, and the gains or losses arising from the recognition of the fair value are recorded in the statement of income in the “Cost of products and services” account. Depletion, which is also allocated to the “Cost of products and services” account, arises from the assets harvested in the year and it is composed of the formation cost and the portion related to the fair value difference.

Many estimates were adopted to measure the forest reserves in accordance with the methodology established by CPC 29 / IAS 41 – “Biological asset and agricultural produce”. These estimates were based on market benchmarks, which are subject to changes in the scenario that may impact the financial statements. The methodologies used to measure the fair value of biological assets and a sensitivity analysis of them are described in Note 12.

3.6. Investments

These are represented by investments in controlled companies, associates and jointly-controlled companies arising from ITAÚSA’s equity interest in these companies. They are initially recognized at cost of acquisition and subsequently stated using the equity method of accounting. Additionally, these investments include the amount of goodwill identified upon acquisition, net of any accumulated impairment loss.

Every year, ITAÚSA assesses if there is objective evidence that the investments in controlled companies, associates and jointly controlled companies are impaired. If so, ITAÚSA calculates the amount of the impairment loss and recognizes the amount in the statement of income.

ITAÚSA does not recognize additional losses on its investments at amounts that exceed its equity interest unless it has incurred obligations or made payments on behalf of investees.

3.6.1. Investments in directly and indirectly-controlled companies

Investments in controlled companies are those in which ITAÚSA is exposed or entitled to variable returns based on its involvement with the investee in addition to having the ability to affect these returns by means of the power exercised.

These investments are fully consolidated for the purpose of the presentation of the consolidated financial statements.

3.6.2. Investments in associates and jointly-controlled companies

Associates are the investees on which the investor has a significant influence but over which it does not have control.

Jointly-controlled companies are the investees over which ITAÚSA and one or more investors have the shared control of the operational and financial activities of the entity. They can be classified as joint operations or joint ventures, depending on the contractual rights and obligations of investors.

ITAÚSA’s interest in the profit or loss of its jointly-controlled companies and associates is recognized in the “Equity in the earnings of subsidiaries” account in the statement of income. Meanwhile, the share of the changes in Equity of the jointly-controlled companies and associates are also recognized in equivalent accounts in ITAÚSA’s Equity.

ITAÚSA recognizes the effects of the hyperinflation in Argentina arising from its jointly-controlled companies (Itaú Unibanco and Alpargatas) in accordance with CPC 42 / IAS 29 – Accounting in Hyperinflationary Economies.

3.6.3. Business combination

Business combination is the method used for the recognition of investment acquisitions whose characteristic is defined as an integrated set of activities and assets conducted and managed for the purpose of providing return to investors, lower costs or other economic benefits.

This method requires identifiable acquired assets and liabilities assumed to be measured at their fair value. In the acquiring company, the difference between the amount paid and the carrying amount of the company's equity is recognized in the Investment account separated by: (i) surplus value, when the economic fundamentals are substantially related to the fair value of the net assets of the acquiree; and (ii) goodwill, when the amount paid exceeds the fair value of the net assets and represents the expectation of value creation in the future.

In the business combination of controlled companies, goodwill is classified in the "Investments" account in the parent company financial statements and in the "Intangible assets" account in the consolidated financial statements.

If the cost of acquisition is lower than the fair value of the identifiable acquired net assets, the difference is directly recognized in profit or loss.

The costs directly attributable to the acquisition must be directly allocated to profit or loss as they are not incurred.

3.7. Property, plant and equipment

These are stated at their cost of acquisition, formation or construction plus any costs that are directly attributable to placing the asset in the location and condition necessary for its operation, less accumulated depreciation and, when applicable, accumulated impairment losses. Interest related to loans and financing obtained from third parties and capitalized during the phase of formation/construction of the property, plant and equipment is also part of their cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits will flow to the company and the costs can be reliably measured.

The carrying amount of the replaced assets is written off and the expenditures with repairs and maintenance are fully recorded as a contra-entry to profit or loss.

Gains and losses on the sale of property, plant and equipment items are recognized in profit or loss in the "Other income and expenses" account.

The calculation basis of depreciation is the depreciable amount (cost of acquisition less the residual value) of the asset. Land is not depreciated.

Depreciation is recognized in profit or loss using the straight-line method in accordance with the useful life of each item. The useful life estimates of the respective items are revised at the end of every year.

3.8. Intangible assets

They comprise all intangible assets and are recognized when: (i) they arise from legal or contractual rights; (ii) their cost can be reliably measured; and (iii) it is probable that future economic benefits arise from their use.

They refer to acquired or internally produced assets and their useful lives can be definite or indefinite. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful lives. Intangible assets with an indefinite useful life are not amortized, but they are tested at least once a year to identify any impairment losses or when there is evidence of losses.

3.8.1. Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the software and make it ready for use. Software is amortized over its estimated useful life using the straight-line method.

3.8.2. Trademarks and patentes

Separately acquired trademarks and licenses are initially stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value on the date of acquisition. They are not amortized as their useful life is indefinite.

3.8.3. Customer portfolio

It is recognized only in a business combination at fair value on the date of acquisition. The useful life of the relationships with customers is definite and, therefore, they are amortized. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

3.8.4. Goodwill

As described in Note 3.6.3, goodwill represents the excess of the cost of an acquisition over the fair value of the investment of the buyer in the identifiable assets and liabilities of the entity acquired on the date of acquisition. Goodwill is not amortized but its recoverable amount is assessed every year or when there is an evidence of an impairment loss with the use of an approach that involves the identification of the cash generating units and the estimate of its fair value less selling costs and/or value in use.

3.9. Assessment of impairment of non-financial assets – Investments, Property, plant and equipment and Intangible assets

The recoverable amount of an asset is the highest of its value in use and its fair value net of the costs necessary for sale. The value in use is calculated by means of assessment methodologies, supported by discounted cash flows techniques, market conditions and business risks.

For the purpose of assessing any impairment, assets are grouped at the minimum level for which independent cash flows can be identified (cash generating units).

Assets with a definite useful life, which are subject to depreciation or amortization, are assessed only if there is objective evidence (events or changes in circumstances) that the carrying amount may not be recoverable. Accordingly, the effects of obsolescence, demand, competition and other economic factors are taken into consideration.

For the assets with indefinite useful lives, ITAÚSA and its controlled companies assess their assets for impairment at least once a year or when significant events or changes indicate that their carrying amounts may not be recoverable.

If it is identified that the carrying amount of the asset exceeds its recoverable amount, a provision for impairment is recognized in profit or loss.

A previously recognized impairment loss may be reversed if there is a change in the assumptions used to determine the asset's recoverable amount and it is also recognized in profit or loss. An impairment loss on goodwill may not be reversed.

3.10. Income tax and social contribution

Corporate Income Tax and Social Contribution on Profit are determined in accordance with tax legislation in force related to each tax. Taxable profit is subject to the rates of 15%, plus an additional 10% on the surplus that exceeds R$240 thousands for income tax, and 9% for social contribution. Any changes in tax legislation related to tax rates are recognized in the year they come into effect.

Income taxes are recognized in the statement of income in the “Income tax and social contribution” account, except to the extent that they relate to items recognized directly in Equity or in Comprehensive income.

Current income tax and social contribution are presented net in the balance sheet, per taxpaying entity, and they approximate the amounts to be paid or recovered, and they may be separated into current and non-current in accordance with the expectation of offset/settlement. Deferred income tax and social contribution are recognized on income tax and social contribution loss carryforwards and temporary differences on the tax bases of assets and liabilities only to the extent of the probability of determining taxable profit and possibility of using the realized temporary differences, and they are presented in non-current at their net amount when there is the legal right and the intention to offset them, in general, with the same legal entity and the same tax authority.

When determining deferred taxes, ITAÚSA and its controlled companies assess the impact of the uncertainties on the tax positions assumed. This assessment is based on estimates and assumptions and involve a number of judgments on future events, such as economic and financial projections, macroeconomic scenarios and tax legislation in force. New information may be made available, which could cause ITAÚSA and its controlled companies to change their judgment with respect to the taxes that have already been recognized, recording these impacts in the year they were realized.

3.11. Employee benefits (Private pension and Health care plans)

ITAÚSA and its controlled companies sponsor private pension and health care plans for their employees with the characteristics of defined benefit and defined contribution.

3.11.1. Defined benefit plans

ITAÚSA and its controlled companies recognize the obligations of the defined benefit plans if the present value of the obligation on the date of the financial statements is higher than the fair value of the plan's assets. The present value of the commitments is determined based on an actuarial assessment prepared on an annual basis by independent actuaries based on the Projected Unit Credit Method. Net assets are composed mainly of investments that compose the benefit plan portfolio, which are measured at their fair value.

Actuarial gains and losses generated by adjustments and changes in the actuarial assumptions of the defined benefit plans are directly recognized in Equity in the "Carrying value adjustment" account. Past service costs and interest on actuarial deficit/surplus are recognized in profit or loss for the year in which they are incurred.

In the cases in which the plan presents a surplus and there is the need to recognize an asset as a contra-entry to profit or loss, this recognition is limited to the present value of the economic benefits available in the form of reimbursements or future reductions in the plan's contributions, in accordance with legislation in force and the plan's regulation.

The sponsors and participants are equally responsible for the coverage of the actuarial deficiencies of this plan.

3.11.2. Defined contribution plan

Contributions are recognized as employee benefit expenses when they become due. Contributions made in advance are recognized as an asset to the extent they generate an effective reduction in future payments.

3.12. Share-based compensation plan

It's offers to some executives a share-based compensation plan (stock options) according to it receives the services provided by the executives as a consideration for the stock options granted. The fair value of the options granted is recognized as an expense as a contra-entry to Equity over the year in which the services are provided by the executives and the right is obtained. The plan will be settled exclusively upon the delivery of the shares.

The fair value of the options granted is calculated on the date the options are granted using option pricing models that take into consideration the option exercise price, the current price, the interest rate free of risk and the volatility expected from the share price over the option's life.

At the end of every year, the estimates of the number of shares are reviewed that are expected to be issued based on the conditions for the obtainment of rights.

3.13. Debts and debentures

These are initially recognized at fair value upon the receipt of resources, net of transaction costs. Subsequently, they are measured at amortized cost, that is, added by charges and interest in proportion to the period incurred using the effective interest method. Debts that have hedging derivative instruments are measured at fair value.

The costs of debts and debentures that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits for the entity and that these costs can be reliably measured. When they are not related to a qualifying asset, the costs are recognized as an expense for the year in which they are incurred.

3.14. Provisions and Contingent assets and liabilities

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. They are measured at the best estimate of the present value of the expenditures that should be necessary to settle the obligation and that reflect their specific risks. Provisions are not recognized for future operating losses.

The analysis of the probability of loss by the legal advisors of ITAÚSA and its controlled companies includes the analysis of the evidence available, the hierarchy of laws, case law, the most recent court decisions and their relevance in the legal system. The estimates and assumptions used in the recognition of provisions are periodically reviewed.

Contingent liabilities for which the risk of loss is considered possible or remote are not recognized in a provision and only the amounts classified as possible are disclosed in a note to the financial statements.

Contingent assets are not recognized in the financial statements, except when there are secured guarantees or favorable judicial decisions for which appeals are no longer available, characterizing the victory as practically certain and as a result of the confirmation of their possible recovery due to receipt or offset with another liability. Contingent assets for which the expectation of success is probable are disclosed in the notes to the financial statements.

Adjustments to provisions, as well as of adjustments to judicial deposits made to secure lawsuits under progress are taken to Financial result in accordance with contractual provisions or based on indices set forth in applicable legislation.

3.15. Capital and Treasury shares

3.15.1. Capital

Common and preferred shares are classified in equity and any costs attributable to their issue are deducted.

3.15.2. Treasury shares

The repurchase of own shares are recognized at the average cost of acquisition and classified as a deduction in Equity in the “Treasury shares” account. When these shares are available for sale, they are written off at the average cost on the date of the sale and the gain or loss is recognized in the “Revenue reserves” account. The cancellation of treasury shares is recognized also as a reduction in the “Revenue reserves” at the average price of the treasury shares on the date of cancellation.

3.16. Dividends and Interest on capital

According to the Bylaws, stockholders are assured minimum mandatory dividends of 25% of profit for each year, adjusted as provided for in Article 202 of Law No. 6,404/76, by means of quarterly payments, or in shorter intervals, in the same year and until the Annual General Stockholders’ Meeting that approves the respective financial statements. The minimum dividend amounts established in the Bylaws are recognized as a liability, net of the payments already made, as a contra-entry to Equity. Any amount that exceeds the minimum mandatory dividend is only recognized as a liability when it is approved by stockholders at a General Meeting.

Mandatory minimum dividend may be paid out in four or more installments, at least on a quarterly basis or in shorter periods of time. Regarding quarterly payments in advance the stockholding position on the last day of the previous month is used as a calculation basis, and the actual payment is made in the first day of the subsequent month.

The dividends receivable from the controlled companies, associates and jointly-controlled companies are recognized as an asset in the financial statements upon the resolution of their Board of Directors or General Meeting as a contra-entry to the “Investments” account.

The Board of Directors may resolve upon the payment of interest on capital. For the purpose of meeting tax regulations, interest on capital is recognized as a contra-entry to the “Finance costs” account. For the purpose of preparing the above mentioned financial statements, it is reversed from profit or loss as a contra-entry to Equity and included in the balance of dividends for the year.

For interest on capital receivable, when resolved upon by the Board of Directors of the controlled companies, associates and jointly-controlled companies, it is recorded initially in the “Finance income” account for tax purposes and, at the same time, reversed from this account as a contra-entry to the “Investments” account.

3.17. Earnings per share

Basic earnings per share are calculated by the division of profit attributable to the controlling stockholders by the weighted average number of outstanding common and preferred shares every year. Diluted earnings per share are calculated using the same indicators, adjusted by instruments that are potentially convertible into shares and have a diluting effect.

3.18. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of ITAÚSA and its controlled companies. Revenue is shown net of taxes, returns, discounts, bonuses and rebates and after eliminating sales between the group companies.

It is recognized when the amount is reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria, described for each type of revenue, have been met.

3.18.1. Service and sales revenue

These are recorded in income when all performance obligations are met, that is, upon delivery of products or provision of services, as well as upon transfer of risks and benefits to the buyer /taker, thus basically charactering the recognition of income over a specific period of time. Subsidiaries operate as a main party to the agreements with clients, and income do not have a significant financing component.

As of 2019, consolidated net revenue is fully made up of by controlled company Duratex. For further information on its business segments and products sold and services provided, please see note 31 “Segment information”.

3.18.2. Interest income

It is recognized on the accrual basis using the effective interest method and it is represented mainly by earnings from financial investments, monetary adjustments and discounts obtained.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Financial instruments

ITAÚSA and its controlled companies maintain operations with financial instruments. These instruments are managed by means of operational and internal control strategies aimed at ensuring credit, liquidity, security and profitability.

4.1.1. Classification of financial instruments

We present below the classification and measurement of financial assets and liabilities:

	Note	Levels	Parent company 12/31/2019 Fair value	Parent company 12/31/2019 Carrying amount	Parent company 12/31/2018 Fair value	Parent company 12/31/2018 Carrying amount	Consolidated 12/31/2019 Fair value	Consolidated 12/31/2019 Carrying amount	Consolidated 12/31/2018 Fair value	Consolidated 12/31/2018 Carrying amount
Financial assets										
Fair value through profit or loss										
Upon initial or subsequent recognition										
Cash and cash equivalents	5									
Financial investments		2	1,091	1,091	936	936	2,156	2,156	2,247	2,247
Marketable securities	6	3	1,213	1,213	1,030	1,030	1,213	1,213	1,030	1,030
			2,304	2,304	1,966	1,966	3,369	3,369	3,277	3,277
Amortized cost										
Cash and cash equivalents	5									
Cash in kind and bank deposits		2	-	-	-	-	213	213	174	174
Customers	7	2	-	-	-	-	1,135	1,135	1,215	1,215
Dividends and interest on capital	9	2	171	171	270	270	141	141	85	85
Judicial deposits		2	38	38	37	37	104	104	96	96
Other assets	11	2	47	47	22	22	347	347	535	535
			256	256	329	329	1,940	1,940	2,105	2,105
Total of Financial assets			2,560	2,560	2,295	2,295	5,309	5,309	5,382	5,382
Financial liabilities										
Fair value through profit or loss										
Upon initial or subsequent recognition										
Debts	19	2	-	-	-	-	487	487	795	795
			-	-	-	-	487	487	795	795
Amortized cost										
Trade accounts payable	18	2	6	6	5	5	631	631	444	444
Personnel expenses		2	26	26	5	5	174	174	140	140
Debts	19	2	-	-	-	-	1,198	1,198	2,068	2,068
Debentures	20	2	1,221	1,206	1,233	1,208	2,485	2,470	1,233	1,208
Leases	14.2	2	12	12	-	-	584	584	-	-
Dividends and interest on capital	22.5.2	2	397	397	408	408	485	485	770	770
Other debts	11	2	326	346	295	300	838	858	698	703
			1,988	1,993	1,946	1,926	6,395	6,400	5,353	5,333
Total of Financial liabilities			1,988	1,993	1,946	1,926	6,882	6,887	6,148	6,128

4.1.2. Fair value of financial instruments

For determining fair value, ITAÚSA and its controlled companies project the discounted cash flows of the financial instruments until the termination of the operations according to contractual rules, also taking into consideration their own credit risk in accordance with CPC 46 – Fair Value Measurement. This procedure may result in a carrying amount that is different from its fair value mainly because the period for the settlement of the instruments is long and their costs are different with respect to the interest rates that are currently adopted for similar contracts, as well as the daily change in interest rates of futures traded in on B3.

The operations with financial instruments that present a carrying amount that is equivalent to the fair value arise from the fact that these financial instruments have characteristics that are substantially similar to those that would be obtained if they were traded in the market.

Management decided to record certain loans and financing as liabilities at fair value through profit or loss. The adoption of fair value is justified by the need for preventing the accounting mismatch between the debt instrument and the hedging instrument contracted, which is also measured at fair value through profit or loss.

The additional information on the assumptions used in the determination of the fair value of relevant financial instruments, which differ from the carrying amount or that are subsequently measured at fair value, are disclosed below taking into consideration the terms and the relevance of each financial instrument:

- Derivatives: (i) the fair value of the interest rate swap is calculated at the present value of the estimated future cash flows based on the yield curves adopted by the market; and (ii) the fair value of the swap and Non-Deliverable Forward (NDF) related to future foreign exchange contracts are determined based on the foreign exchange rates discounted at present value.
- Debts and debentures: they are measured by means of a pricing model that is individually applied to each transaction, taking into consideration the future flows of payment, based on contractual conditions, discounted to present value at rates obtained by means of market interest rate curves. Accordingly, the market value of a security corresponds to its payment amount (redemption amount) carried to present value by the discount fator.
- Other debts (NTS acquisition): they are measured by means of a pricing model, taking into consideration the future flows of payment, based on contractual conditions, discounted to present value at rates obtained by means of future market interest rate curves.

Additionally, the 7.65% interest in NTS (Note 6) is recorded in the “Marketable securities” account, measured at fair value through profit or loss and whose hierarchy level is three. The fair value of the investment is calculated based on the cash flows related to ITAÚSA discounted to present value at a rate that corresponds to the cost of equity that, on December 31, 2019, is 13.6% (15.6% on December 31, 2018). The assumptions considered for the calculation of the cost of equity take into consideration: (i) country risk; (ii) US treasury bill risk-free rate (maturing in 10 years); (iii) market risk premium; (iv) leverage beta including companies with similar business models; and (v) inflation differences between foreign (US) and domestic markets.

4.1.3. Derivatives

In operations with derivatives, there are no checks, monthly settlements or margin calls, and all contracts are settled upon their maturities and measured at fair value through profit or loss, taking into consideration market conditions regarding terms and interest rates. On December 31, 2019 and 2018 only Duratex recorded derivative operations.

We present below the types of the contracts in effect:

- Swap US$ x CDI: contracts whose purpose is to turn debts in U.S. dollars of the United States in debt in Real indexed to the CDI rate;

- Fixed swap x CDI: contracts whose purpose is to turn fixed interest rate debts into debts indexed to the CDI rate;

- Broad Consumer Price Index (IPCA) swap + Fixed rate x CDI rate: contracts whose purpose is to turn debts indexed to the IPCA + fixed interest rates into debts indexed to the CDI rate; and

- NDF (Non Deliverable Forward): contract whose purpose is to Mitigate the foreign exchange exposure. In this operation, the contract is settled upon its respective maturity date, taking into consideration the difference between the forward foreign exchange rate (NDF) and the foreign exchange rate at the end of the period (Ptax).

We present below a table containing the main information regarding the derivatives:

		Consolidated					
		Notional (R$)		Fair value		Profit or loss	
Derivatives	Position	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Swaps							
US$	Asset	3	355	3	393	-	32
Fixed rate	Asset	385	385	395	395	6	5
IPCA + Fixed rate	Asset	94	44	103	44	9	-
CDI	Liability	(482)	(784)	(487)	(795)	-	-
NDF							
R$ x US$	-	107	137	106	136	1	2

4.2. Risk Management

Because the results of ITAÚSA are directly related to the operations, the activities and the results of its investees, ITAÚSA is exposed mainly to the risks of the companies in its portfolio.

Through its senior management, ITAÚSA participate on board of directors and supporting committees of the investees, in addition to the presence of independent members with experience in the respective markets in which they work, good risk management and compliance practices are stimulated, including integrity. Examples of this work are the participation of ITAÚSA's management members: (i) on the Risk and Capital Management Committee of Itaú Unibanco; (ii) on the Audit and Risk Management Committee of Duratex; and (iii) on the Statutory Audit Committee of Alpargatas.

ITAÚSA follows the guidelines contained in the Risk Management Policy approved by the Board of Directors where the following is defined: (i) the main management and risk control guidelines, in line with the risk appetite established by the Board of Directors; (ii) the methodology of the risk management process; (iii) the guidelines and guidance to the Compliance and Corporate Risks Department in the implementation of the integrity program; and (iv) the reviews of ITAÚSA's rules, forwarding them, when necessary, for the analysis and approval of the Board of Directors. Additionally, the controlled companies that do not have their own policy must follow the terms of the Risk Management Policy in accordance with their respective management structure.

ITAÚSA has a Sustainability and Risks Committee aimed at assessing instruments to hedge/mitigate identified risks, such as possible insurance policies taken out.

4.2.1. Market risks

Market risks involve mainly the possibility of variations in interest and foreign exchange rates. These risks may result in the reduction of the value of assets and in the increase of their liabilities due to the rates negotiated in the market.

With respect to foreign exchange rate risks, the controlled company Duratex has an Indebtedness Policy that establishes the maximum foreign currency-denominated amount that may be exposed to variations in the foreign exchange rate. Due to the risk management procedures, management carries out periodical assessments of foreign exchange exposures for the purpose of mitigating them, in addition to maintaining economic hedge mechanisms aimed at protecting most of its foreign exchange exposure.

With respect to interest rate risks, they are those that can cause ITAÚSA and controlled companies to undergo economic losses due to adverse changes in these rates. This risk is continuously monitored by management for the purpose of assessing any need to contract derivative operations to protect ITAÚSA against the volatility in interest rates. With respect to financial investments, the earnings are indexed to the variation in the CDI rate and redemption assured by issuing banks, based on contractually agreed rates agreed for investments in CDBs, or on the value of the quota on the redemption date for investment funds.

4.2.1.1. Sensitivity analysis

The purpose of the sensitivity analysis is to measure the impact of the changes in market variables on each representative financial instrument. However, the settlement of the transactions involving these estimates may result in amounts that differ from those estimated due to the subjectivity inherent to the process used in the preparation of these analyzes.

The information presented in the table contextually measures the impact on the results of ITAÚSA and its controlled companies due to the changes in each risk described until maturity date these operations. The probable scenario (base scenario) and two other scenarios are presented under the terms determined by CVM Instruction No. 475/08, representing the deterioration of the risk variable by 25% (possible) and 50% (remote). The probable scenario was defined by means of assumptions available in the market (B3 and Bloomberg).

	Parent company					
	Index/ Currency	Risk	Projected rates	Probable scenario	Possible scenario (+25%)	Remote scenario (+50%)
Liabilities						
Other debts (Acquisition of NTS)	US$	Increase of the U.S. dollar	US$ 4,08	(334)	(417)	(501)
Total				**(334)**	**(417)**	**(501)**

	Consolidated					
	Index/ Currency	Risk	Projected rates	Probable scenario	Possible scenario (+25%)	Remote scenario (+50%)
Liabilities						
Other debts (Acquisition of NTS)	US$	Increase of the U.S. dollar	US$ 4,08	(334)	(417)	(501)
Loans at Fixed rates	CDI	Increase of CDI	4,62% a.a.	(4)	(3)	(2)
Swap - Fixed x CDI				4	3	2
Loans IPCA + Fixed	CDI	Increase of CDI	4,62% a.a.	(17)	9	42
Swap - IPCA + Fixed x CDI				17	(9)	(42)
Loans US$	US$	Increase of the U.S. dollar	US$ 4,02	-	1	2
Swap - US$ x CDI	US$	Reduction of the U.S. dollar	US$ 4,02	-	(1)	(2)
Loans US$	US$	Increase of the U.S. dollar	US$ 4,02	-	(26)	(53)
NDF - US$ x BRL	US$	Reduction of the U.S. dollar	US$ 4,02	-	26	53
Total				**(334)**	**(417)**	**(501)**

4.2.2. Credit risk

Credit risk is the possibility of ITAÚSA and its controlled companies not exercising their rights. This description is related mainly to the accounts below and the maximum exposure to credit risk is reflected by their accounting balances:

(a) Customers

The controlled company Duratex has a formalized credit granting policy for the purpose of establishing the procedures to be followed upon the granting of credit in commercial operations of sale of products and service in both domestic and foreign markets. For the granting of credit, customers are classified taking into consideration the length of time of registration and their payment histories and, among other matters, their Financial Statements are assessed for the purpose of identifying their payment ability associated with a default probability.

The credit limit may be defined based on a percentage of net revenue, equity or a combination of both, also taking into consideration the average volume of the monthly purchases, but always supported by the assessment of the economic and financial, documental, restrictive and behavioral situation of the customer. In accordance with the credit limit, financial guarantees are established and the credit limits are periodically assessed in order to maintain the diversification of its portfolio and reduce its risk exposure. There is no significant risk of concentration of customer credit.

(b) Cash and cash equivalents

ITAÚSA and its controlled companies have formalized policies for the management of funds with financial institutions that are aimed at ensuring liquidity, security and profitability for the funds. Internal policies determine that the financial investments must be made with fist-class financial institutions and with no concentration of funds in specific investments, in order to maintain a balanced proportion that is less subject to losses. Management understands that the financial investment operations contracted do not expose ITAÚSA and its controlled companies to significant credit risks that may generate material losses in the future.

4.2.3. Liquidity risk

This is the risk that ITAÚSA and its controlled companies will not have sufficient liquid funds to honor their financial commitments due to the mismatch of terms or volumes of expected receipts and payments.

The controlled company Duratex has an indebtedness policy whose purpose is to define the limits and parameters of indebtedness and the minimum available funds, which is the highest of the following two amounts: (i) sum equivalent to 60 days of consolidated net revenue for the past quarter; or (ii) debt service plus dividends and/or interest on capital expected for the following six months.

Additionally, management monitors the continuous expectations of liquidity requirements to ensure that it has sufficient cash to meet the operational needs, particularly the payment of dividends, interest on capital and other obligations assumed.

ITAÚSA and its controlled companies invest the cash surplus by choosing instruments with appropriate maturities or adequate liquidity to provide sufficient margin with respect to the expectations of the outflow of funds.

For the purpose of maintaining the investments at acceptable risk levels, new investments or increases in interests are discussed in joint meetings of the Executive Board and the Board of Directors of ITAÚSA.

The table below shows the maturities of financial liabilities in accordance with the undiscounted cash flows:

	Parent company				
	Less than one year	Between one and two years	Between three and five years	Over five years	Total
Debentures	6	400	800	-	1,206
Trade accounts payable	6	-	-	-	6
Personnel expenses	26	-	-	-	26
Leases	2	4	4	2	12
Dividends and interest on capital	397	-	-	-	397
Other debts	7	339	-	-	346
	444	**743**	**804**	**2**	**1,993**

	Consolidated				
	Less than one year	Between one and two years	Between three and five years	Over five years	Total
Debts	806	803	30	46	1,685
Debentures	72	400	1,399	599	2,470
Trade accounts payable	631	-	-	-	631
Personnel expenses	174	-	-	-	174
Leases	23	31	28	502	584
Dividends and interest on capital	485	-	-	-	485
Other debts	238	620	-	-	858
	2,429	**1,854**	**1,457**	**1,147**	**6,887**

The forecast budget for the following year, which was approved by management, shows the ability and cash generation for meeting obligations.

4.2.3.1. Covenants

The controlled company Duratex and the indirect controlled company Cecrisa have some Debt and debenture contracts that are subject to some covenants in accordance with the usual market practices and which, when they are not complied with, may result in an immediate disbursement or early maturity of an obligation with defined flow and frequency. We present below a description of the financial covenants of the controlled companies:

(a) Debts - Duratex (contracts with BNDES)

- EBITDA (*) / Net finance cost: equal to or higher than 3.00;
- EBITDA (*) / Net operating income: equal to or higher than 0.20;
- Equity / Total assets: equal to or higher than 0.45.

(b) Debentures - Duratex

- Net debt / EBITDA (*) lower than or equal to 4.0

(c) Debentures - Cecrisa (indirect controlled company)

- Net financial debt / EBITDA (*): lower than or equal to 2.5
- Net financial debt + taxes paid in installments / EBITDA (*) lower than or equal to 3.0
- EBITDA (*) / Financial expenses higher than or equal to 1.5

(*) EBITDA (*Earning Before Interest, Taxes, Depreciation and Amortization*).

The maintenance of the covenants is based on the financial statements of the controlled company Duratex and Cecrisa and, should the above mentioned contractual obligations be not complied with, Duratex and Cecrisa must offers additional guarantees.

On December 31, 2019 and 2018, all aforementioned contractual obligations in connection with controlled company Duratex were fully met. With respect to indirect controlled company Cecrisa, EBITDA was impacted by adjustments to its income arising from the post-acquisition restructuring by Duratex. However, this has not so far led to any declaration of default, noncompliance or accelerated maturity of a contractual obligation of any kind. Furthermore, Cecrisa's management has taken the measures required to obtain the waiver for such contractual item with the financial institution accordingly.

4.3. Capital management

ITAÚSA and its controlled companies manage their capital so as to ensure the continuity of their operations, as well as to offer a return to their stockholders, including by optimizing the cost of capital and controlling the indebtedness level, and by monitoring the financial gearing ratio, which corresponds to the net debt-equity ratio.

		Parent company		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Debts	19	-	-	1,685	2,863
Debentures	20	1,206	1,208	2,470	1,208
(-) Cash and cash equivalents	5	(1,091)	(936)	(2,369)	(2,421)
Net debt		**115**	**272**	**1,786**	**1,650**
Equity	22	55,232	55,143	58,357	58,079
Gearing ratio		**0.2%**	**0.5%**	**3.1%**	**2.8%**

5. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and banks	-	-	**213**	**174**
Financial investments	**1,091**	**936**	**2,156**	**2,247**
Fixed income	-	-	75	42
Bank Deposit Certificate - CDB	-	-	958	948
Investment funds	1,091	936	1,123	1,257
Total	**1,091**	**936**	**2,369**	**2,421**

6. MARKETABLE SECURITIES

	Parent company and Consolidated
Balance on 12/31/2017	**943**
Valor justo	140
Redução de capital	(53)
Balance on 12/31/2018	**1,030**
Valor justo	231
Redução de capital	(48)
Balance on 12/31/2019	**1,213**

This refers to the 7.65% interest of ITAÚSA in the capital of NTS acquired on April 4, 2017. Since ITAÚSA does not have a significant influence over the decisions on the financial and operational policies of NTS, the investment is classified as a financial asset in accordance with CPC 48 / IFRS 9 – Financial instruments, and measured at fair value through profit or loss in Finance result. For further information on the assumptions used in fair value calculation, please see Note 4.1.2.

In 2019, ITAÚSA received dividends and interest on capital from NTS, recorded in contra-entry to income under “Other income and expenses” in the amount of R165 (R$153 in 2018) (Note 25).

Management periodically monitors any risks of impairment of Marketable securities. Taking into consideration the nature of these assets and the history of loss, ITAÚSA did not recognize any impairment losses on the above mentioned assets.

7. TRADE ACCOUNTS RECEIVABLE

	Consolidated							
	12/31/2019							
		Overdue						
	To fall due	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	Over 180 days	(-) Allowance for estimated losses on doubtful accounts	Net balance
Local customers	904	27	4	3	11	67	(81)	935
Foreign customers	115	25	9	7	6	8	(2)	168
Related parties	32	-	-	-	-	-	-	32
Total	**1,051**	**52**	**13**	**10**	**17**	**75**	**(83)**	**1,135**

	12/31/2018							
		Overdue						
	To fall due	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	Over 180 days	(-) Allowance for estimated losses on doubtful	Net balance
Local customers	927	40	14	6	11	82	(86)	994
Foreign customers	126	26	17	7	4	2	-	182
Related parties	39	-	-	-	-	-	-	39
Total	**1,092**	**66**	**31**	**13**	**15**	**84**	**(86)**	**1,215**

There are no real encumbrances, guarantees offered and/or restrictions to the trade accounts receivable amounts. No customer individually represents more than 10% of trade accounts receivable or revenue.

The exposure of ITAÚSA and its controlled companies to credit risks related to trade accounts receivable are disclosed in Note 4.2.2.

7.1. Allowance for estimated losses on doubtful accounts

As required by CPC 48 / IFRS 9 – Financial instruments, a detailed analysis of the balance of trade accounts receivable must be made and, in accordance with the simplified approach, an allowance for estimated losses on doubtful accounts is recognized to cover any losses on the realization of these assets.

We present below the changes in the allowance for estimated losses on doubtful accounts:

	Consolidated	
	12/31/2019	12/31/2018
Opening balance	**(86)**	**(90)**
Transition adjustment - CPC 48	-	(5)
Acquisition of companies	(11)	-
Recognitions	(12)	(10)
Write-offs	26	19
Closing balance	**(83)**	**(86)**

8. INVENTORIES

	Consolidated	
	12/31/2019	12/31/2018
Finished products	427	324
Work in progress	139	124
Raw materials	267	260
General storeroom	125	116
Advance to suppliers	2	1
(-) Estimated loss on the realization of inventories	(107)	(27)
Total	**853**	**798**

On December 31, 2019 and 2018, the controlled companies had no inventories offered in guarantee.

The changes in the allowance for estimated losses on doubtful accounts on the realization of inventories are presented below:

	Consolidated	
	12/31/2019	12/31/2018
Opening balance	**(27)**	**(26)**
Acquisition of companies	(37)	-
Recognitions	(99)	(30)
Reversals	23	1
Write-offs	33	28
Closing balance	**(107)**	**(27)**

9. DIVIDENDS AND INTEREST ON CAPITAL RECEIVABLE

	Parent company						
	Investments					Marketable securities	
	Subsidiaries		Jointly-controlled entities				
	Duratex	Itautec	Itaú Unibanco	IUPAR	Alpargatas	NTS	Total
Balance on 12/31/2017	**19**	**-**	**614**	**16**	**-**	**-**	**649**
Dividends	95	-	4,039	300	26	133	4,593
Interest on capital	89	-	2,495	156	25	17	2,782
Receipts	(18)	-	(7,101)	(434)	(51)	(150)	(7,754)
Balance on 12/31/2018	**185**	**-**	**47**	**38**	**-**	**-**	**270**
Dividends	-	-	3,922	3,403	-	152	7,477
Interest on capital	28	1	1,300	1,035	-	11	2,375
Receipts	(184)	-	(5,178)	(4,426)	-	(163)	(9,951)
Balance on 12/31/2019	**29**	**1**	**91**	**50**	**-**	**-**	**171**

	Consolidated				
	Investments			Marketable securities	
	Jointly-controlled entities				
	Itaú Unibanco	IUPAR	Alpargatas	NTS	Total
Balance on 12/31/2017	**614**	**16**	**-**	**-**	**630**
Dividends	4,039	300	26	133	4,498
Interest on capital	2,495	156	25	17	2,693
Receipts	(7,101)	(434)	(51)	(150)	(7,736)
Balance on 12/31/2018	**47**	**38**	**-**	**-**	**85**
Dividends	3,922	3,403	-	152	7,477
Interest on capital	1,300	1,035	-	11	2,346
Receipts	(5,178)	(4,426)	-	(163)	(9,767)
Balance on 12/31/2019	**91**	**50**	**-**	**-**	**141**

10. OTHER TAXES FOR OFFSET AND PAYABLE

	Parent company		Consolidated			
	Current		Current		Non-current	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Other taxes for offset						
ICMS/PIS/COFINS on acquisition of property, plant and equipment [(1)]	-	-	11	11	17	14
PIS and COFINS	2	2	37	34	26	28
ICMS and IPI	-	-	43	40	-	-
Other	-	-	12	8	1	1
Subtotal	2	2	103	93	44	43
(-) Allowance for estimated losses on doubtful accounts [(2)]	-	-	(12)	(22)	(27)	(29)
Total	**2**	**2**	**91**	**71**	**17**	**14**
Other taxes payable						
ICMS	-	-	40	31	-	-
PIS and COFINS	8	5	19	7	-	-
INSS	-	-	2	2	-	-
Other [(3)]	-	1	28	1	127	-
Total	**8**	**6**	**89**	**41**	**127**	**-**

(1) On December 31, 2019, in controlled-company Duratex, ICMS and PIS/COFINS for offset mainly arose from the acquisition of assets to be allocated to PPE of industrial plants. In accordance with legislation in force, PIS and COFINS tax credits will be offset within 12 to 24 months and ICMS will be offset within 48 months.

(2) In the controlled company Itautec, since federal, state and municipal taxes are not expected to be realized, management decided to recognize losses of a significant portion of these taxes.

(3) In controlled company Duratex, on December 31, 2019, it basically refers to payment in installments of taxes due by its subsidiary Cecrisa in the amounts of R$27 in the current and R$127 in the non-current.

11. OTHER ASSETS AND LIABILITIES

		Parent company				Consolidated			
		Current		Non-current		Current		Non-current	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Other assets									
Prepaid expenses		9	4	18	-	15	9	18	-
Investment property		-	-	-	-	-	-	-	24
Pension plan assets (DB Plan)	30.1.2	1	-	1	-	6	3	12	-
Disposal of PPE	11.1	-	-	-	-	13	284	73	16
Disposal of investments		-	-	-	-	-	-	18	60
Disposal of investment property		-	-	-	-	22	-	-	-
Development of forest operations		-	-	-	-	-	-	10	10
Indemnifiable assets		-	-	-	-	-	-	17	26
Amounts withheld in acquisitions of companies		-	-	-	-	2	3	31	30
Sale of electricity		-	-	-	-	8	1	-	-
Held-for-sale assets		-	-	-	-	48	15	-	-
Other assets		13	15	5	3	31	33	23	21
Total		**23**	**19**	**24**	**3**	**145**	**348**	**202**	**187**
Other liabilities									
Advances from customers		-	-	-	-	28	21	6	6
Profits to be distributed to stockholders in special partnerships		-	-	-	-	12	11	-	-
Acquisition of reforestation areas		-	-	-	-	3	6	-	-
Trade accounts payable to stockholders in special partnerships		-	-	-	-	31	27	89	94
Acquisitions of companies		-	-	-	-	28	34	125	33
Freight and insurance payable		-	-	-	-	28	17	-	-
Commissions payable		-	-	-	-	20	9	-	-
Warranties, technical assistance and maintenance		-	-	-	-	25	21	5	4
Joint operation liabilities		-	-	-	-	-	-	43	35
Provision for restructuring costs		-	-	-	-	4	23	-	-
Payroll loans		-	-	-	-	2	2	-	-
Sales for future delivery		-	-	-	-	16	8	-	-
Statutory profit sharing		-	-	-	-	17	11	-	-
Acquisition - NTS	11.2	-	-	319	296	-	-	319	296
Other liabilities		7	4	20	-	24	26	33	19
Total		**7**	**4**	**339**	**296**	**238**	**216**	**620**	**487**

11.1. Sale of property, plant and equipment

This refers mainly to the amounts receivable arising from the sale of rural land of the indirectly-controlled company Duratex Florestal.

11.2. Acquisition of NTS

Refers to payment obligation due to “Nova Infraestrutura Fundo de Investimento em Participações e Multiestratégia”, arising from the acquisition of a 7.65% interest in the capital of NTS, originally amounting to US$72 million, adjusted based on a fixed interest rate of 3.35% a year, capitalized on an annual basis in the principal amount, to be paid in a single installment in April 2022.

12. BIOLOGICAL ASSETS

The indirectly-controlled companies Duratex S.A. (Colombia), Duratex Florestal Ltda. and Caetex Florestal S.A. have eucalyptus and pine tree forest reserves that are used, primarily, as raw material in the production of wood panels, floorings and components and, secondarily, for sale to third parties.

The forest reserves serve as a guarantee of supply to the factories, as well as a protection against risks regarding future increases in the price of wood. This is a sustainable operation that is integrated with its industrial complexes, which, together with a supply network, provides a high level of self-sufficiency in the supply of wood.

On December 31, 2019, the companies had approximately 139,2 thousands hectares in effectively planted areas (157,3 thousands hectares on December 31, 2018) that are cultivated in the states of São Paulo, Minas Gerais, Rio Grande do Sul, Alagoas and in Colombia.

The forests are free of any encumbrances or guarantees to third parties, including financial institutions. Additionally, there are no forests for which the ownership is restricted.

The balance of the biological assets is composed of the cost of formation of the forests and the fair value difference over the cost of formation, as presented below:

	Consolidated	
	12/31/2019	12/31/2018
Cost of formation of biological assets	1,045	1,030
Difference between cost of formation and fair value	499	544
Transfer to "Other assets"	-	(9)
Total	**1,544**	**1,565**

The changes in the year are as follows:

	Note	Consolidated	
		12/31/2019	12/31/2018
Opening balance		**1,565**	**1,699**
Changes in fair value			
Price/Volume	24	126	148
Depletion		(171)	(259)
Changes in the cost of formation			
Planting costs		194	179
Depletion		(170)	(193)
Transfer to "Other assets"		-	(9)
Closing balance		**1,544**	**1,565**

12.1. Fair value and sensitivity analysis

Fair value is determined based on the estimate of volume of wood that is ready to be harvested, at the current prices of standing wood, except for the eucalyptus forests that are up to one year old and the pine forests that are up to four year old, which are maintained at cost, due to the belief that these amounts approximate their fair value.

Fair value was determined by the valuation of the expected volumes that are ready to be harvested at current market prices based on estimates of volumes. The main assumptions used were:

- Discounted cash flows expected wood volume that is ready to be harvested, taking into consideration current market prices, net of the unrealized planting costs and the costs of capital of the land used in the plantation, measured at present value at the discount rate of December 31, 2019 of 5.3% a year (5.7% on December 31, 2018), which corresponds to the average weighted cost of capital of the controlled company Duratex, which is reviewed on an annual basis by its management.

- Wood prices: they are obtained in R$/cubic meter by means of surveys on market prices disclosed by specialized companies for regions and products that are similar to those of the controlled company Duratex, in addition to the prices adopted in transactions with third parties, also in active markets.

- Difference: the volumes of harvests that were separated and valued according to the species: pine and eucalyptus, (ii) region; and (iii) destination (sawmill and process).

- Volumes: estimate of the volumes to be harvested (6th year for eucalyptus and 12th year for pine) based on the projected average productivity for each region and species. The average productivity may vary according to age, rotation, climate conditions, quality of seedlings, fire and other natural risks. For the forests that have already been formed, the current volumes of wood are used. The volume estimates are supported by cycle counts made by specialized technicians as from the second year of the forests and their effects are incorporated into the financial statements.

Among the variables that affect the calculation of the fair value of biological assets are the changes in the price of wood and the discount rate used in cash flows.

The average price on December 31, 2019 was R$45.03/cubic meter (R$43.37/cubic meter on December 31, 2018). Increases in prices result in the increase of the fair value of forests. Every change of 5% in price would have an impact of R$72 (R$74 on December 31, 2018) on the fair value of forests.

On December 31, 2019, a discount rate of 5.3% a year (5.7% a year on December 31, 2018) was used. Increases in the rate result in a reduction in the fair value of the forest. Every change of 0.5% a year in the rate would have an impact of around R$8 (R$14 on December 31, 2018) on the fair value of forests.

13. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

The balance of and changes in deferred income tax and social contribution are presented below:

	Parent company						
			Realization/			Realization/	
	12/31/2017	Recognition	Reversal	12/31/2018	Recognition	Reversal	12/31/2019
Assets							
Recognized in profit or loss							
Income tax and social contribution loss carryforwards	383	-	(1)	382	-	-	382
Temporary differences	438	100	-	538	-	(4)	534
Contingencies	423	85	-	508	-	(3)	505
Other	15	15	-	30	-	(1)	29
Total (*)	821	100	(1)	920	-	(4)	916
Liabilities							
Recognized in profit or loss							
Temporary differences	(9)	(51)	-	(60)	(80)	1	(139)
Fair value of financial instruments	(4)	(48)	-	(52)	(78)	-	(130)
Other	(5)	(3)	-	(8)	(2)	1	(9)
Total (*)	(9)	(51)	-	(60)	(80)	1	(139)

(*) Deferred income tax and social contribution assets and liabilities are recorded in the Balance Sheet, as offset by the taxable entity, totaling in the deferred assets on December 31,2019 the amount of R$777 (R$860 on December 31, 2018) .

	Consolidated						
			Realization/			Realization/	
	12/31/2017	Recognition	Reversal	12/31/2018	Recognition	Reversal	12/31/2019
Assets							
Recognized in profit or loss							
Income tax and social contribution loss carryforwards	585	10	(36)	559	10	-	569
Temporary differences	570	178	(17)	731	143	(3)	871
Allowance for estimated losses on doubtful accounts	10	1	(1)	10	-	-	10
Fair value of financial instruments and derivatives	18	11	-	29	2	-	31
Contingencies	476	96	(3)	569	44	-	613
Inventory losses	6	-	-	6	26	-	32
Profit abroad	11	27	-	38	11	-	49
Impairment of property, plant and equipment	18	11	-	29	42	-	71
Post-employment benefit	1	5	-	6	5	-	11
Other	30	27	(13)	44	13	(3)	54
Reconhecidos no Patrimônio líquido							
Post-employment benefit	3	1	-	4	9	-	13
Total (1) (2)	1,158	189	(53)	1,294	162	(3)	1,453
Liabilities							
Recognized in profit or loss							
Temporary differences	(496)	(60)	98	(458)	(120)	25	(553)
Revaluation reserve	(45)	-	4	(41)	(25)	-	(66)
Fair value of financial instruments and derivatives	(4)	(47)	-	(51)	(76)	1	(126)
Depreciation	(15)	(2)	-	(17)	(11)	-	(28)
Sale of property, plant and equipment	(19)	-	13	(6)	-	5	(1)
Biological assets	(223)	-	37	(186)	(4)	-	(190)
Client Portfolio	(55)	-	7	(48)	-	8	(40)
Pension plans	(39)	(2)	3	(38)	-	-	(38)
Other	(96)	(9)	34	(71)	(4)	11	(64)
Recognized in equity							
Exchange variation on translation of balance sheet from foreign companies	-	(4)	-	(4)	(1)	-	(5)
Total (1) (2)	(496)	(64)	98	(462)	(121)	25	(558)

(1) Deferred income tax and social contribution assets and liabilities are recorded in the Balance Sheet, as offset by the taxable entities, totaling in the deferred assets the amount of R$1,108 on December 31, 2019 (R$1,091 on December 31, 2018) and in the deferred liabilities the amount of R$213 on December 31, 2019 (R$259 on December 31, 2018).
(2) Controlled company Duratex records the inflow of R$40 (net of deferred income tax and social contribution – assets and liabilities) related to acquisition of Cecrisa.

13.1. Deferred assets

13.1.1. Expectation of realization

Deferred tax assets are recognized taking into consideration the probable realization of these credits, based on projections of future results, prepared based on internal assumptions and economic scenarios approved by management that may change. We present below the expectation of realization of deferred assets:

	Parent company	Consolidated
2020	1	99
2021	285	335
2022	615	689
2023	-	88
2024	-	97
2025 - 2027	15	145
Total	**916**	**1,453**

13.1.2. Unrecognized tax credits

ITAÚSA and its controlled companies have tax credits related to income tax and social contribution loss carryforwards and temporary differences that are not recognized in the financial statements due to uncertainties of their realization.

On December 31, 2019, the unrecognized credits of ITAÚSA correspond to R$79 (no amount recorded on December 31, 2018) and in the consolidated financial statements, they correspond to R$243 (R$162 on December 31, 2018). The above mentioned credits may be recognized in the future in accordance with the annual review of the projection of taxable profit generation and the term for their use is indefinite.

14. RIGHT-OF-USE AND LEASES

Due to the adoption of CPC 06 (R2) / IFRS 16 - Leases, as from January 1, 2019 (Note 2.6.2), ITAÚSA and its controlled companies recorded the lease contracts.

Lease liabilities are measured at the present value of the remaining payments, discounted at the nominal incremental rate on their debts. Right-of-use assets are measured at the same amount as the lease liability upon initial recognition, net of accumulated depreciation to be realized using the straight-line method over the lease term.

For the lease contract of ITAÚSA, management considered a renewal of the contract (72 months in total) because it believes that the renewal conditions are reasonable. Meanwhile, the controlled company Duratex, due to the long-term characteristics of the contracts, substantially, did not consider a renewal of the land lease contracts. For the other contracts, when applicable, a renewal was considered.

With respect to payments, these basically refer to fixed amounts agreed in agreements annually adjusted based on an inflation-linked index.

14.1. Right-of-use assets

	Parent company	Consolidated					
	12/31/2019	12/31/2019					
	IT equipment	Land	Buildings	Vehicles	IT equipment	Other	Total
Opening balance	-	-	-	-	-	-	-
Initial adoption – 01/01/2019	-	488	10	3	-	-	501
New contracts / adjustments	13	34	1	-	13	5	53
Depreciation for the year (profit or loss)	(1)	(2)	(5)	(2)	(1)	(2)	(12)
Depreciation for the year (*)	-	(24)	-	-	-	-	(24)
Acquisition of companies	-	-	3	-	-	5	8
Remeasurement adjustment	-	40	1	-	-	-	41
Saldo final	**12**	**536**	**10**	**1**	**12**	**8**	**567**

(*) Stated at cost of formation of forest reserves in "Biological Asset" line.

14.2. Lease liabilities

	Parent company		Consolidated					
	12/31/2019		12/31/2019					
	IT equipment	Total	Land	Buildings	Vehicles	IT equipment	Other	Total
Opening balance	-	-	-	-	-	-	-	-
Initial adoption - 01/01/2019	-	-	488	10	3	-	-	501
New contracts / adjustments	13	13	34	1	-	13	5	53
Interest allocated in the year (profit or loss)	-	-	1	1	-	-	-	2
Interest allocated in the year (*)	-	-	51	-	-	-	-	51
Payments	(1)	(1)	(63)	(5)	(2)	(1)	(3)	(74)
Acquisition of companies	-	-	-	4	-	-	6	10
Remeasurement adjustment	-	-	40	1	-	-	-	41
Saldo final	**12**	**12**	**551**	**12**	**1**	**12**	**8**	**584**
Circulante		**2**						**23**
Não circulante		**10**						**561**

(*) Stated at cost of formation of forest reserves in "Biological Asset" line.

Discount rates are as follows:

	Parent company	Consolidated
Contractual terms		
Up to 5 years	-	8.71%
From 6 to 10 years	6.89%	De 6,89% a 10,40%
Longer than 10 years	-	10.93%

The maturities of the lease liabilities take into consideration the following future flow of payments:

	Parent company	Consolidated
	12/31/2019	12/31/2019
Current		
2020	2	23
Total	**2**	**23**
Non-current		
2021	2	16
2022	2	15
2023	2	15
2024	2	13
2025	2	11
2026 - 2030	-	50
2031 - 2035	-	42
2036 - 2045	-	141
2046 onwards	-	258
Total	**10**	**561**

14.3. Inflation effects

Please find below the inflation effects on balances, compared to the balances in the financial statements:

	Parent company		Consolidated	
	Balance on December 31, 2019	Inflation scenario	Balance on December 31, 2019	Inflation scenario
Right-of-use assets	13	14	603	824
Depreciation	(1)	(1)	(36)	(46)
Total	**12**	**13**	**567**	**778**

	Parent company		Consolidated	
	Balance on December 31, 2019	Inflation scenario	Balance on December 31, 2019	Inflation scenario
Leases	15	15	1,845	3,451
Interest to be appropriated	(3)	(1)	(1,261)	(2,626)
Total	**12**	**14**	**584**	**825**

15. INVESTMENTS

15.1. Changes in investments

	Parent company								
	Jointly-controlled companies			Controlled companies					
	Itaú Unibanco	IUPAR (Note 15.1.5)	Alpargatas (Note 15.1.3)	Duratex (Note 15.1.6)	Elekeiroz (Note 15.1.1)	Itautec (Note 15.1.4)	Itaúsa Empreendi-mentos (Note 15.1.2)	ITH Zux Cayman	Total
Balance on 12/31/2017	**26,855**	**22,308**	**1,749**	**1,723**	**146**	**32**	**304**	**2**	**53,119**
Equity in the earnings of investees	8,073	1,439	27	158	32	(7)	2	-	9,724
Dividends and interest on capital	(6,973)	(483)	(56)	(200)	-	-	-	-	(7,712)
Disposal of shares	-	-	-	-	(178)	-	-	-	(178)
Other comprehensive income	(65)	(57)	20	14	-	-	-	-	(88)
Other	(29)	(25)	-	(1)	-	-	-	-	(55)
Balance on 12/31/2018	**27,861**	**23,182**	**1,740**	**1,694**	**-**	**25**	**306**	**2**	**54,810**
Equity in the earnings of investees	5,519	4,725	29	148	-	14	1	-	10,436
Dividends and interest on capital	(5,452)	(4,620)	-	(42)	-	(2)	-	-	(10,116)
Acquisition of shares	-	-	154	-	-	-	-	-	154
Other comprehensive income	(28)	(24)	(3)	4	-	-	-	-	(51)
Other	(88)	(78)	1	3	-	2	(307)	-	(467)
Balance on 12/31/2019	**27,812**	**23,185**	**1,921**	**1,807**	**-**	**39**	**-**	**2**	**54,766**
Market value on 12/31/2018 (*)	**129,576**	**-**	**2,172**	**2,991**	**-**	**165**	**-**	**-**	
Market value on 12/31/2019 (*)	**135,427**	**-**	**5,550**	**4,228**	**-**	**-**	**-**	**-**	

	Consolidated						
	Jointly-controlled companies			Indirect associates		Indirect Jointly-controlled company	
	Itaú Unibanco	IUPAR (Note 15.1.5)	Alpargatas (Note 15.1.3)	Viva Decora	Nexoleum	LD Florestal	Total
Balance on 12/31/2017	**26,855**	**22,308**	**1,749**	**6**	**-**	**-**	**50,918**
Equity in the earnings of investees	8,073	1,439	27	(1)	(1)	-	9,537
Dividends and interest on capital	(6,973)	(483)	(56)	-	-	-	(7,512)
Acquisition of shares	-	-	-	2	-	39	41
Disposal of shares	-	-	-	-	1	-	1
Capital increase (decrease)	-	-	-	2	-	-	2
Other comprehensive income	(65)	(57)	20	-	-	-	(102)
Other	(29)	(25)	-	-	-	-	(54)
Balance on 12/31/2018	**27,861**	**23,182**	**1,740**	**9**	**-**	**39**	**52,831**
Equity in the earnings of investees	5,519	4,725	29	(2)	-	1	10,272
Dividends and interest on capital	(5,452)	(4,620)	-	-	-	-	(10,072)
Acquisition of shares	-	-	154	5	-	-	159
Capital increase (decrease)	-	-	-	-	-	68	68
Other comprehensive income	(28)	(24)	(3)	-	-	-	(55)
Other	(88)	(78)	1	2	-	-	(163)
Balance on 12/31/2019	**27,812**	**23,185**	**1,921**	**14**	**-**	**108**	**53,040**
Market value on 12/31/2018 (*)	**129,576**	**-**	**2,172**	**-**	**-**	**-**	
Market value on 12/31/2019 (*)	**135,427**	**-**	**5,550**	**-**	**-**	**-**	

(*) Market value is presented for investees with shares traded in on B3 stock exchange only.

15.1.1. Disposal of the Stockholding Control of Elekeiroz

On June 4, 2018, ITAÚSA completed the disposal of the totality of the shares of Elekeiroz it owned, represented by 14,261,761 common shares and 16,117,360 preferred shares, to Kilimanjaro Brasil Partners I B – Fundo de Investimento em Participações Multiestratégia Investimento no Exterior.

15.1.2. Merger of the wholly-owned subsidiary Itaúsa Empreendimentos

On August 30, 2019, the Extraordinary General Stockholder's Meeting resolved upon the merger of the shares of Itaúsa Empreendimentos into ITAÚSA. Itaúsa Empreendimentos had an administrative structure composed of approximately 80 professionals who worked exclusively to provide operational support to ITAÚSA and the companies of the conglomerate's industrial segment.

The purpose of this corporate restructuring was to seek greater operational synergy and efficiency, with the consequent optimization and rationalization of administrative costs and accessory obligations arising from the maintenance of Itaúsa Empreendimentos.

Taking into consideration the corporate structure of Itaúsa Empreendimentos, the merger was implemented without diluting ITAÚSA's capital, since there was no capital increase, issue of new shares, share exchange ratio or right to withdraw for any stockholders.

15.1.3. Acquisition of additional equity interest in Alpargatas

In May and August 2019, ITAÚSA acquired at B3 (over-the-counter market) 7,693,152 preferred shares of Alpargatas for the amount of R$154. The shares acquired represent 1.33% of Alpargatas total shares and ITAÚSA became the holder of a 28.88% interest (excluding treasury shares). ITAÚSA started the process for the allocation of the purchase price, taking into consideration the interest in the net assets and liabilities measured at fair value, the consideration paid by ITAÚSA and the goodwill from the expectation of future profitability.

15.1.4. Completion of the merger of Itautec shares

On June 14, 2019, the merger of Itautec shares into ITAÚSA was completed. The transaction was approved by the stockholders of both companies at their respective general meetings held on April 30, 2019. Itautec's stockholders became the holders of the same number of preferred shares issued by ITAÚSA (ITSA4). To this end, 118,815 preferred shares (ITSA4) were issued by ITAÚSA, culminating in the dilution of 0.001% for ITAÚSA's stockholders. These shares entitled their holders to all earnings declared as of that date. The exercise of the right to dissent by ITAÚSA's stockholders culminated in the acquisition of 1,873 common shares for treasury, which were then cancelled by means of a resolution of the Board of Directors on August 12, 2019 (Nota 22.3).

Adicionalmente, em 15 de agosto de 2019, a Itautec teve seu pedido de cancelamento de registro de companhia aberta na categoria "A" concedido pela CVM.

15.1.5. Termination of the usufruct of part of the shares held by IUPAR

In November 2008, due to the association between Itaú and Unibanco, ITAÚSA and the Moreira Salles family granted IUPAR (a company incorporated to control Itaú Unibanco) shares of Itaú Unibanco's capital under a usufruct reservation of dividends/interest on capital for a period of ten years, which ended in November 2018. The indirect interest of ITAÚSA in the capital of Itaú Unibanco under a usufruct reservation represented 15.3%. As from the termination of the usufruct, PIS/COFINS will be levied on the interest on capital amounts received by IUPAR from Itaú Unibanco.

15.1.6. Acquisition of Cecrisa Revestimentos Cerâmicos S.A. ("Cecrisa") by the controlled company Duratex

On July 31, 2019, the controlled company Duratex, by means of its controlled company Cerâmica Urussanga S.A. ("Ceusa"), acquired the totality of the shares of the capital of Cecrisa and its controlled companies, which are specialized in the manufacturing of ceramic tiles.

The amount of the consideration paid/payable was R$378 and, since the date of acquisition, Cecrisa has contributed to Duratex with a net revenue of R$305 and a profit of R$1.

15.2. Reconciliation of investments

	Parent company 12/31/2019					
	Jointly-controlled companies			Controlled companies		
	Itaú Unibanco	IUPAR	Alpargatas	Duratex	Itautec	ITH Zux Cayman
Equity of the investee	136,925	34,847	2,651	4,931	39	2
Holding %	19.95%	66.53%	28.88%	36.65%	100.00%	100.00%
Interest in the investment	**27,314**	**23,185**	**765**	**1,807**	**39**	**2**
Unrealized profit or loss	(12)	-	-	-	-	-
Adjustments arising from business combinations						
Surplus value	50	-	443	-	-	-
Goodwill	460	-	713	-	-	-
Accounting balance of the investment in the parent company	**27,812**	**23,185**	**1,921**	**1,807**	**39**	**2**

	Parent company 12/31/2018						
	Jointly-controlled companies			Controlled companies			
	Itaú Unibanco	IUPAR	Alpargatas	Duratex	Itautec	Itaúsa Empreendi-mentos	ITH Zux Cayman
Equity of the investee	136,782	34,843	2,381	4,634	26	307	2
Holding %	20.00%	66.53%	27.55%	36.67%	98.93%	100.00%	100.00%
Interest in the investment	**27,356**	**23,182**	**656**	**1,699**	**26**	**307**	**2**
Unrealized profit or loss	(12)	-	-	(5)	(1)	(1)	-
Adjustments arising from business combinations							
Surplus value	57	-	485	-	-	-	-
Goodwill	460	-	599	-	-	-	-
Accounting balance of the investment in the parent company	**27,861**	**23,182**	**1,740**	**1,694**	**25**	**306**	**2**

15.3. Summarized consolidated information of the relevant investees

	Jointly-controlled companies			
	Itaú Unibanco		IUPAR	
Non-financial segment	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Number of outstanding shares of investees	**9,745,601,763**	**9,720,520,922**	**1,061,396,457**	**1,061,396,457**
Common	4,958,290,359	4,958,290,359	710,454,184	710,454,184
Preferred	4,787,311,404	4,762,230,563	350,942,273	350,942,273
Number of shares owned by ITAÚSA	**1,944,075,803**	**1,944,075,803**	**706,169,365**	**706,169,365**
Common	1,943,906,480	1,943,906,480	355,227,092	355,227,092
Preferred	169,323	169,323	350,942,273	350,942,273
Holding % (1)	**19.95%**	**20.00%**	**66.53%**	**66.53%**
Holding % in voting capital (2)	**39.21%**	**39.21%**	**50.00%**	**50.00%**
Information on the balance sheet				
Cash and cash equivalents	30,367	37,159	-	-
Financial assets	1,501,481	1,424,876	120	62
Non-financial assets	105,633	90,762	36,039	36,070
Financial liabilities	1,211,999	1,151,237	73	57
Non-financial liabilities	276,017	251,094	1,239	1,232
Equity attributable to controlling stockholders	136,925	136,782	34,847	34,843
Information on the statement of income				
Profit from banking products	117,079	104,200	-	-
Income tax and social contribution	(3,430)	(4,969)	-	-
Profit attributable to controlling stockholders	27,113	24,907	7,101	2,162
Other comprehensive income	(138)	(326)	(36)	(86)
Information on the statement of cash flows				
Increase (decrease) in cash and cash equivalents	(24,801)	11,254	-	-

(1) ITAÚSA has a direct interest in Itaú Unibanco of 19.95% and an indirect interest of 17.5%, by means of the investment in IUPAR, which holds a 26.31% direct interest in Itaú Unibanco, totaling a 37.45% interest in total capital.

(2) The direct interest in the common shares of Itaú Unibanco is 39.21% and the indirect interest is 25.86%, by means of the investment in IUPAR, which holds a 51.71% direct interest in the common shares of Itaú Unibanco, totaling a 65.06% interest in total capital.

	Controlled company		Jointly-controlled company	
	Duratex		Alpargatas	
Non-financial segment	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Number of outstanding shares of investees	**689,732,785**	**689,467,756**	**578,816,719**	**463,053,374**
Common	689,732,785	689,467,756	302,010,657	241,608,525
Preferred	-	-	276,806,062	221,444,849
Number of shares owned by ITAÚSA	**252,807,715**	**252,807,715**	**167,182,596**	**127,591,556**
Common	252,807,715	252,807,715	129,528,793	103,623,035
Preferred	-	-	37,653,803	23,968,521
Holding %	**36.65%**	**36.67%**	**28.88%**	**27.55%**
Holding % in voting capital	**36.65%**	**36.67%**	**42.89%**	**42.89%**
Information on the balance sheet				
Current assets	3,514	3,652	2,610	2,389
Non-current assets	7,201	5,830	1,912	1,591
Current liabilities	2,150	2,073	1,256	1,160
Non-current liabilities	3,633	2,774	531	350
Equity attributable to controlling stockholders	4,931	4,634	2,643	2,381
Cash and cash equivalents	1,243	1,162	566	519
Debts and debentures	2,949	2,863	279	613
Information on the statement of income				
Net revenue	5,012	4,949	3,712	3,380
Finance income	103	123	93	106
Finance costs	(264)	(273)	(94)	(113)
Income tax and social contribution	(73)	(151)	(111)	(61)
Profit attributable to controlling stockholders	406	432	274	331
Other comprehensive income	1	30	8	89
Information on the statement of cash flows				
Increase (decrease) in cash and cash equivalents	81	88	47	(110)

15.4. Impairment test

Parent company

ITAÚSA tested its investments for impairment and did not identify the need to recognize a provision for impairment losses on these investments.

For the investees Itaú Unibanco, Alpargatas and Duratex, whose shares are traded in an active market (B3), the assessment of the recoverable amount took into consideration the value of the shares of the above mentioned companies, multiplied by the number of shares held by ITAÚSA on the date of the financial statements. For the investee IUPAR whose only investment is the equity interest in Itaú Unibanco, the assessment of the recoverable amount took into consideration the same procedure mentioned above, however, the value of Itaú Unibanco shares was used instead.

For the investees Itautec and ITH Zux Cayman, the recoverable amount was determined based on the value in use of the assets, calculated in accordance with assessment methodologies.

16. PROPERTY, PLANT AND EQUIPMENT (PPE)

16.1. Breakdown

	Parent company							
	12/31/2019				12/31/2018			
	Depreciation rates (% p.a.)	Cost	Accumulated depreciation	Net balance	Depreciation rates (% p.a.)	Cost	Accumulated depreciation	Net balance
IProperty, plant and equipment in use								
Land	-	18	-	18	-	19	-	19
Buildings and improvements	2.5%	88	(19)	69	2.5%	95	(25)	70
Machinery, installations and equipment	10,0% at 20,0%	18	(5)	13	10,0% at 20,0%	13	(6)	7
Furniture and fixtures	10.0%	4	(1)	3	10.0%	4	(1)	3
Total		**128**	**(25)**	**103**		**131**	**(32)**	**99**

	Consolidated							
	12/31/2019				12/31/2018			
	Depreciation rates (% p.a.)	Cost	Accumulated depreciation	Net balance	Depreciation rates (% p.a.)	Cost	Accumulated depreciation	Net balance
Property, plant and equipment in use								
Land	-	704	-	704	-	656	-	656
Buildings and improvements	2,5% at 4,0%	1,379	(547)	832	2,5% at 4,0%	1,145	(473)	672
Machinery, installations and equipment	6,5% at 20,0%	4,940	(3,112)	1,828	6,8% at 20,0%	4,401	(2,607)	1,794
Furniture and fixtures	10.0%	71	(50)	21	10.0%	63	(45)	18
Vehicles	20,0% at 25,0%	72	(59)	13	20,0% at 25,0%	66	(53)	13
Other	10,0% at 20,0%	285	(206)	79	10,0% at 20,0%	231	(153)	78
Subtotal		**7,451**	**(3,974)**	**3,477**		**6,562**	**(3,331)**	**3,231**
Construction in progress		**192**	**-**	**192**		**107**	**-**	**107**
Total		**7,643**	**(3,974)**	**3,669**		**6,669**	**(3,331)**	**3,338**

16.2. Changes

	Parent company							
	Land	Buildings and improvements	Machinery, installations and equipment	Furniture and fixtures	Vehicles	Others	Construction in progress	Total
Balance on 12/31/2017	**19**	**60**	**6**	**2**	**-**	**-**	**-**	**87**
Acquisitions	-	12	2	1	-	-	-	15
Depreciation	-	(2)	(1)	-	-	-	-	(3)
Balance on 12/31/2018	**19**	**70**	**7**	**3**	**-**	**-**	**-**	**99**
Acquisitions	-	10	7	-	-	-	-	17
Write-offs	(1)	(7)	(1)	-	-	-	-	(9)
Depreciation	-	(3)	(1)	-	-	-	-	(4)
Transfers	-	(1)	1	-	-	-	-	-
Balance on 12/31/2019	**18**	**69**	**13**	**3**	**-**	**-**	**-**	**103**

	Consolidated							
	Land	Buildings and improvements	Machinery, installations and equipment	Furniture and fixtures	Vehicles	Others	Construction in progress	Total
Balance on 12/31/2017	**760**	**689**	**1,945**	**19**	**10**	**82**	**137**	**3,642**
Acquisitions	9	13	59	2	1	12	155	251
Write-offs	(57)	(1)	(34)	-	-	(3)	-	(95)
Depreciation	-	(34)	(264)	(3)	(2)	(18)	-	(321)
Transfers	-	10	152	-	5	7	(174)	-
Disposal of companies	(10)	(4)	(37)	-	(1)	(1)	(11)	(64)
Transfer to held-for-sale assets	(56)	(2)	(35)	-	-	(1)	-	(94)
Others	10	1	8	-	-	-	-	19
Balance on 12/31/2018	**656**	**672**	**1,794**	**18**	**13**	**78**	**107**	**3,338**
Acquisitions	43	11	47	2	2	9	195	309
Write-offs	(46)	(24)	(75)	(1)	-	(2)	(7)	(155)
Depreciation	-	(35)	(270)	(3)	(4)	(19)	-	(331)
Transfers	(6)	13	92	4	2	9	(114)	-
Acquisition of companies	59	231	240	1	-	4	11	546
Transfer to held-for-sale assets	(4)	(37)	-	-	-	-	-	(41)
Others	2	1	-	-	-	-	-	3
Balance on 12/31/2019	**704**	**832**	**1,828**	**21**	**13**	**79**	**192**	**3,669**

16.3. Property, plant and equipment in guarantee

On December 31, 2019, the property, plant and equipment of the controlled company Duratex included land, farms and vehicles offered in guarantee in lawsuits totaling R$2 (R$2 on December 31, 2018).

16.4. Assessment of the recoverable amount

For the year ended December 31, 2019, there was no indication, whether by means of external sources or internal sources of information that any asset had been impaired. Accordingly, management believes that the carrying amount of assets recorded is recoverable and, therefore, the recognition of a provision for impairment losses was not necessary.

16.5. Revision of the useful life of assets

Controlled company Duratex and its controlled companies revisited the estimated useful life of the property, plant and equipment items. Among the assumptions used to revise depreciation rates, we may highlight: (i) internal and external antecedents; (ii) benchmarking and recommendations from manufacturer's manuals; (iii) condition of preservation and operation of the assets; (iv) history of maintenance and use of assets until allocation for scrap purposes; and (v) alignment to overall business planning.

After revision, depreciation rates basically remained unchanged, and the only change was to the Machinery, Installations and Equipment item, which rate decreased to 6.5% p.y. on December 31, 2019 from 6.8% p.y. on December 31, 2018.

17. INTANGIBLE ASSETS

17.1. Breakdown

	Parent company							
	12/31/2019				12/31/2018			
	Amortization rates (% p.a.)	Cost	Accumulated amortization	Net balance	Amortization rates (% p.a.)	Cost	Accumulated amortization	Net balance
Software	20.0%	5	(1)	4	20.0%	2	(1)	1
Total		**5**	**(1)**	**4**		**2**	**(1)**	**1**

	Consolidated							
	12/31/2019				12/31/2018			
	Amortization rates (% p.a.)	Cost	Accumulated amortization	Net balance	Amortization rates (% p.a.)	Cost	Accumulated amortization	Net balance
Software	20.0%	157	(93)	64	20.0%	127	(74)	53
Trademarks and patents	-	209	-	209	-	57	(1)	56
Goodwill from the expectation of future profitability	-	319	-	319	-	156	-	156
Customer portfolio	6.7%	400	(269)	131	6.7%	401	(243)	158
Total		**1,085**	**(362)**	**723**		**741**	**(318)**	**423**

17.2. Changes

	Note	Parent company				
		Software	Trademarks and patents	Goodwill from the expectation of future profitability	Customer portfolio	Total
Balance on 12/31/2017		**1**	**-**	**-**	**-**	**1**
Balance on 12/31/2018		**1**	**-**	**-**	**-**	**1**
Acquisitions		3	-	-	-	3
Balance on 12/31/2019		**4**	**-**	**-**	**-**	**4**

	Note	Consolidated				
		Software	Trademarks and patents	Goodwill from the expectation of future profitability	Customer portfolio	Total
Balance on 12/31/2017		**40**	**64**	**359**	**197**	**660**
Acquisitions		27	-	9	-	36
Write-offs		(3)	(8)	-	-	(11)
Amortization		(8)	-	-	(28)	(36)
Impairment	17.4	-	-	(212)	(12)	(224)
Disposal of companies		(3)	-	-	-	(3)
Other		-	-	-	1	1
Balance on 12/31/2018		**53**	**56**	**156**	**158**	**423**
Acquisitions		29	-	-	-	29
Write-offs		(12)	-	-	-	(12)
Amortization		(8)	-	-	(27)	(35)
Impairment		-	(9)	-	-	(9)
Acquisition of companies	15.1.6	2	162	163	-	327
Balance on 12/31/2019		**64**	**209**	**319**	**131**	**723**

17.3. Goodwill from the expectation of future profitability

The controlled company Duratex recognized goodwill from the expectation of future profitability in the process of acquisition of the following investments:

	Note	Consolidated	
		12/31/2019	12/31/2018
Satipel		46	46
Metalúrgica Jacareí		2	2
Caetex Florestal		9	9
Ceusa e Massima		99	99
Cecrisa	15.1.6	163	-
Total		**319**	**156**

17.4. Impairment test

The controlled company Duratex tested for impairment its intangible assets with indefinite useful lives that are allocated to the cash generating units that produce wood panels, bathroom fixtures and fittings, showers and ceramic tiles. On December 31, 2019, cash flow amounts of cash generation units were higher than the accounting amounts, and therefore there was no need to record impairment. On December 31, 2018 the result of the test is presented below:

	Business Segments					
	Wood	Deca				
	Panels	Bathroom fittings	Bathroom fixtures	Showers	Ceramic tiles	Total
Goodwill	188	2	39	31	99	359
Other assets	2,351	56	181	189	197	2,974
Total	**2,539**	**58**	**220**	**220**	**296**	**3,333**
Amount of the cash generating units from cash flows	**2,397**	**81**	**169**	**189**	**442**	**3,278**
Impairment - goodwill	**(142)**	**-**	**(39)**	**(31)**	**-**	**(212)**
Impairment – other assets	**-**	**-**	**(12)**	**-**	**-**	**(12)**

Projections adopted by controlled company Duratex for impairment valuation, approved by the Board of Directors, were based on macroeconomic growth and inflation projections, as well as its operational conditions. Additionally, the assumptions fairly represent the reality of its business also taking into consideration important restructuring processes.

Impairment losses were recognized in profit or loss in the “Other income and expenses” account. The main assumptions used were:

Description	12/31/2019	12/31/2018
Cash flow term	5 years	Showers: 10 years (*) Other: 5 years
Discount rate (Weighted Average Cost of Capital (WACC) measured using the Capital Asset Pricing Model (CAPM)	8.85% p.y. (**)	Showers: 12.38% p.y. Other: 10.65% p.y.
Growth rate (gross margin)	Panels: 2.5% p.y. Bathroom fixtures: 1.5% p.y. Bathroom fittings: 0.9% p.y. Showers: 1.5% p.y. Ceramic tiles: 2.5% p.y.	Panels: 1.7% p.y. Bathroom fixtures: 1.2% p.y. Bathroom fittings: 0.4% p.y. Showers: 1.2% p.y. Ceramic tiles: 0.2% p.y.
Growth rate (perpetuity)	3.50% p.y.	3,75% p.y.

(*) The decision to use a 10-year period was made due to the fact that the electric showers unit has not reached the full operation level of its current capacity in the 5-year period, thus impairing the perpetuity calculation.

(**) Net tax rate. The gross rate is 13.42%.

18. TRADE ACCOUNTS PAYABLE

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Local	6	2	631	444
Related parties	-	3	-	-
Total	**6**	**5**	**631**	**444**

19. DEBTS

19.1. Breakdown

Type	Charges	Form of amortization	Guarantees	Consolidated 12/31/2019 Current	Consolidated 12/31/2019 Non-current	Consolidated 12/31/2018 Current	Consolidated 12/31/2018 Non-current
Local currency							
BNDES (with swap)	103.89% of CDI	Monthly	Endorsement (70% Itaúsa / 30% Individuals)	10	80	10	90
BNDES (with swap)	117.51% of CDI	Monthly	Endorsement (70% Itaúsa / 30% Individuals)	-	4	-	4
Agribusiness receivables certificates (CRA)	98.0% of CDI	Semi-annually	Surety Duratex S.A	-	696	1	694
Export credit	104.8% to 107.5% of CDI	Until January 2021	--	280	28	247	303
Producer price guarantee financing (FGPP) – Banco do Brasil (with swap)	Fixed 6.6% to 7.9% p.y.	Until June 2020	--	389	-	4	385
FINAME	6% p.y.	Monthly	Secured fiduciary sale	1	3	1	4
FINAME	Fixed 5.60% p.y.	Monthly	Secured fiduciary sale and endorsement Duratex S.A	-	1	-	1
FINAME	Fixed 5.88% p.y.	Monthly	Secured fiduciary sale - Machinery and equipment	2	6	-	-
FINAME	Fixed 9.0% p.y.	Semi-annually	Secured fiduciary sale and endorsement Duratex S.A.	1	-	1	1
FINAME	SELIC + 4.28% p.y	Quarterly	Secured fiduciary sale and endorsement Duratex S.A.	-	-	-	1
FINAME	Long-term interest rate +2.3% p.y./ fixed 6,6%p.y.	Monthly	Secured fiduciary sale	12	17	15	29
FINAME	Long-term interest rate + 3.7% p.y. to +4% p.y.	Monthly	Secured fiduciary sale and endorsement Duratex S.A.	2	2	2	4
FINEP	Long-term interest rate + 0.5% p.y.	Monthly	20% Trade notes + Surety Banco Safra	12	-	-	-
Constitutional Fund for the Northeastern Region Financing (FNE)	7.53% p.y.	Annually	Surety Duratex Florestal Ltda	-	7	-	6
Strategic Industries Development Fund (FUNDIEST)	30% IGP-M p.m.	Monthly	Surety - Cia. Ligna de Investimentos	28	-	25	25
Export credit note	104.9% of CDI	Until January 2021	Endorsement Duratex S.A.	37	35	38	71
Promissory Note	104.5% of CDI	Until October 2020	--	-	-	-	540
Total in local currency				**774**	**879**	**344**	**2,158**
Foreign currency							
Resolution No. 4,131 (with swap)	US$ + 3.66% p.y.	August 2019	Promissory Note	-	-	182	-
Resolution No. 4,131 (with swap)	US$ + Libor + 1.5% p.y.	August 2019	Promissory Note	-	-	179	-
Advance on foreign exchange contract - Banco do Brasil	US$ + 5.00% p.y.	Until February 2020	40% Trade notes	2	-	-	-
Advance on exchange contract - Bocom BBM (with swap)	US$ + 10.19% p.y.	Until April 2020	Promissory Note	3	-	-	-
Advance on foreign exchange contract - Banco Santander	US$ + 6.38% p.y.	Until May 2020	Promissory note - Endorsement Portinari	10	-	-	-
Advance on foreign exchange contract - Banco Safra	US$ + 5.46% p.y.	Until May 2020	15.70% Trade notes	8	-	-	-
Advance on foreign exchange contract - Banco Bradesco	US$ + 5.80% p.y.	Until June 2020	Clean	6	-	-	-
Advance on foreign exchange contract - Banco do Brasil	US$ + 4.27% p.y.	Until March 2020	40% Trade notes	3	-	-	-
Total in foreign currency				**32**	**-**	**361**	**-**
Total debts				**806**	**879**	**705**	**2,158**

Debts identified in the table above as “with swap” are measured at fair value through profit or loss so as to avoid the accounting mismatch between the debt instrument and the contracted hedging instrument.

The covenants related to Debt contracts are presented in Note 4.2.3.1.

19.2. Changes

	Consolidated
Balance on 12/31/2017	**3,175**
Inflows	391
Interest and monetary adjustment	207
Repayment - Principal amount	(655)
Amortization - Interest and monetary adjustment	(252)
Transfers	(3)
Balance on 12/31/2018	**2,863**
Inflows	10
Acquisition of companies	235
Interest and monetary adjustment	160
Repayment - Principal amount	(1,348)
Amortization - Interest and monetary adjustment	(235)
Balance on 12/31/2019	**1,685**
Current	**806**
Non-current	**879**

19.3. Maturity

	Consolidated 12/31/2019		
	Local currency	Foreign currency	Total
Current			
2020	774	32	806
Total	**774**	**32**	**806**
Non-current			
2021	89	-	89
2022	714	-	714
2023	15	-	15
2024	15	-	15
2025	11	-	11
2026 - 2029	34	-	34
2030 onwards	1	-	1
Total	**879**	**-**	**879**

20. DEBENTURES

20.1. Breakdown

									Parent company			
									12/31/2019		12/31/2018	
Issuance	Issuer	Type of issuance	Effectiveness	Number of debentures	Unit value (R$)	Issuance amount (R$ milhões)	Charges	Form of amortization	Current	Non-current	Current	Non-current
2nd	ITAÚSA	Single series ICVM No. 476/08	05/2017 to 05/2024	12,000	100,000	1,200	106.9% of CDI	Semiannual interest and principal amount in three annual and successive installments (05/2022, 05/2023 and 05/2024)	6	1,200	8	1,200
Total									6	1,200	8	1,200

									Consolidated			
									12/31/2019		12/31/2018	
Issuance	Issuer	Type of issuance	Effectiveness	Number of debentures	Unit value (R$)	Issuance amount (R$ milhões)	Charges	Form of amortization	Current	Non-current	Current	Non-current
2nd	ITAÚSA	Single series ICVM No. 476/08	05/2017 to 05/2024	12,000	100,000	1,200	106.9% of CDI	Semiannual interest and principal amount in three annual and successive installments (05/2022, 05/2023 and 05/2024)	6	1,200	8	1,200
6th	Cecrisa	Single series ICVM No. 476/08	12/2016 to 12/2021	100,000,000	1	100	CDI + 4.50% p.y.	Quarterly interest with no grace period and quarterly principal amounts as of the 12th month	59	-	-	-
2nd	Duratex	Single series ICVM No. 476/08	05/2019 to 05/2026	120,000	10,000	1,200	108.0% of CDI	Semiannual interest and principal amount in two annual installments (05/2024 and 05/2026)	7	1,198	-	-
Total									72	2,398	8	1,200

Debentures do not have guarantees and are not convertible into shares.

The covenants related to the Debentures are presented in Note 4.2.3.1.

20.2. Changes

	Parent company	Consolidated
Balance on 12/31/2017	**1,208**	**1,208**
Interest and monetary adjustment	85	85
Amortization – Interest and monetary adjustment	(85)	(85)
Balance on 12/31/2018	**1,208**	**1,208**
Inflows	-	1,197
Acquisition of companies	-	70
Interest and monetary adjustment	75	124
Repayment - Principal amount	-	(10)
Amortization – Interest and monetary adjustment	(77)	(119)
Balance on 12/31/2019	**1,206**	**2,470**
Current	**6**	**72**
Non-current	**1,200**	**2,398**

20.3. Maturity

	Parent company	Consolidated
Current		
2020	6	72
Total	**6**	**72**
Non-current		
2022	400	400
2023	400	400
2024	400	999
2025	-	599
Total	**1,200**	**2,398**

21. PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

ITAÚSA and its controlled companies are parties to lawsuits and administrative proceedings involving labor, civil, tax and social security claims arising from the ordinary course of their business.

Based on the opinion of its legal advisors, management believes that the provisions for recognized contingencies are sufficient to cover any losses arising from the lawsuits and administrative proceedings.

21.1. Provisions

We present below the changes in provisions for the periods:

	Parent company	Consolidated			
	Tax	Tax	Labor	Civil	Total
Balance on 12/31/2017	**1,265**	**1,330**	**109**	**32**	**1,471**
Contingencies					
Recognition	190	224	38	4	266
Monetary adjustment	60	63	9	2	74
Reversal	-	(3)	(41)	(21)	(65)
Payments	-	(6)	(27)	(3)	(36)
Balance on 12/31/2018	**1,515**	**1,608**	**88**	**14**	**1,710**
(-) Judicial deposits (*)	**(230)**	**(242)**	**(19)**	**(1)**	**(262)**
Balance on 12/31/2018 after the offset of judicial deposits	**1,285**	**1,366**	**69**	**13**	**1,448**

	Parent company	Consolidated			
	Tax	Tax	Labor	Civil	Total
Balance on 12/31/2018	**1,515**	**1,608**	**88**	**14**	**1,710**
Contingencies					
Recognition	163	313	48	15	376
Monetary adjustment	68	73	22	2	97
Reversal	-	(121)	(17)	(17)	(155)
Payments	-	(12)	(25)	(10)	(47)
Acquisition of companies	-	4	12	73	89
Business combinations	-	61	5	33	99
Balance on 12/31/2019	**1,746**	**1,926**	**133**	**110**	**2,169**
(-) Judicial deposits (*)	**(408)**	**(418)**	**(27)**	**(51)**	**(496)**
Balance on 12/31/2019 after the offset of judicial deposits	**1,338**	**1,508**	**106**	**59**	**1,673**

(*) These correspond to the deposits linked to the above mentioned provisions. The deposits related to the proceedings that are not recognized in a provision, assessed as possible or remote, are presented in the balance sheet in the "Judicial deposits" amount.

21.1.1. Tax

The provisions are equivalent to the principal amount of the taxes involved in administrative or judicial disputes that are the subject matter of self-assessment or official assessment, plus interest and, when applicable, fines and charges. In the case of an administrative proceeding that involves a legal obligation, the amount involved is recorded in a provision regardless of the probability of loss since the success in the proceeding depends on the recognition of the unconstitutionality of the Law in force. In other cases, the provision is recognized whenever loss is considered probable.

Parent Company and Consolidated

Noteworthy mentioning is the lawsuit filed by ITAÚSA challenging the right to be subject to the PIS/COFINS cumulative tax system, in view of the illegality and unconstitutionality of including "pure" holding companies in the non-cumulative tax system. In view of the tax foreclosure action, the defendant, regarding the April 2011 to October 2017 period, is guaranteed by insurance. As of November 2017, ITAÚSA has been made judicial deposits. ITAÚSA is currently waiting for its appeals to be tried by the higher courts. This contingency is being provided for as it is an issue involving a legal obligation, even though the likelihood of loss is possible.

December 31, 2019, adjusted amount is R$1,723 (R$1,492 on December 31, 2018). Judicial deposits total R$388 on December 31, 2019 (R$210 on December 31, 2018).

21.1.2. Labor

These refer to lawsuits that claim, substantially, alleged labor rights related to overtime, occupational disease, equal pay and joint liability.

21.1.3. Civil

These refer mainly to lawsuits for property damage and pain and suffering.

21.2. Contingent liabilities

ITAÚSA and its controlled companies are parties to labor, civil and tax claims that are in dispute and the losses arising from which were considered possible, not requiring the recognition of a provision, and they are presented below:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Tax	490	560	1,171	1,179
Labor	-	-	64	58
Civil	18	16	94	60
Total	**508**	**576**	**1,329**	**1,297**

21.2.1. Tax

Among the main disputes in tax proceedings for which the probability of loss is considered possible are the following proceedings:

- Income Tax Withheld at Source, Corporate Income Tax, Social Contribution on Profit, PIS and COFINS (rejection of the request to offset): Cases in which liquidity and the certainty of offsetting credit are considered whose adjusted balance on December 31, 2019 amounts to R$314 (R$626 on December 31, 2018) in ITAÚSA and its controlled companies.
- Taxation on the revaluation reserve of the controlled company Duratex: Dispute related to the taxation of the Revaluation reserve in corporate spin-off operations carried out in 2006 and 2009 whose adjusted balance on December 31, 2019 amounts to R$298 (R$289 on December 31, 2018) in the controlled company Duratex.
- Loss of lawsuit fees (PIS and COFINS tax foreclosure): This refers to the portion of the legal fees related to the tax foreclosure described in note 21.1.1 whose adjusted balance on December 31, 2019 amounts to R$264 in ITAÚSA..
- PIS and COFINS (Disallowance of credits): Dispute over the restriction of the right to credit from certain inputs related to these taxes whose adjusted balance on December 31, 2019 amounts to R$62 (R$79 on December 31, 2018) in the controlled company Itautec.

21.3. Contingent assets

ITAÚSA and its controlled companies are parties to a legal dispute for the reimbursement of taxes and contributions, as well as to civil lawsuits in which they have rights to receive or expectations of rights to receive.

The table below presents the main proceedings for which, in accordance with the assessment of the legal advisors, the chances of success are considered probable, and the amounts related to these proceedings are not recognized in the financial statements.

	Consolidated	
	12/31/2019	12/31/2018
Tax		
IPI credit premium (1980 to 1985)	126	121
INSS – Social security contributions	61	58
Monetary adjustment of credits with Eletrobras	11	10
Profits abroad (withdrawal of the deposit)	11	-
PIS and COFINS	17	2
Collection/payment of extra judicially enforceable instruments	8	6
Others	19	13
Total	**253**	**210**

ITAÚSA has no contingent assets assessed as probable.

22. EQUITY

22.1. Capital

On December 31, 2019, fully subscribed and paid-up capital amounts to R$43,515 (R$43,515 on December 31, 2018) and it comprises book-entry shares with no par value, as presented below:

	12/31/2019					
	Common	%	Preferred	%	Total	%
Controlling group (Egydio de Souza Aranha family)	1,828,486,350	63.27	1,024,860,576	18.56	2,853,346,926	33.92
Other shareholders	1,061,351,420	36.73	4,496,116,584	81.44	5,557,468,004	66.08
Total - Outstanding shares	**2,889,837,770**	**100.00**	**5,520,977,160**	**100.00**	**8,410,814,930**	**100.00**
Residents in Brazil	2,886,629,869	99.89	3,363,778,766	60.93	6,250,408,635	74.31
Residents abroad	3,207,901	0.11	2,157,198,394	39.07	2,160,406,295	25.69

	12/31/2018					
	Common	%	Preferred	%	Total	%
Controlling group (Egydio de Souza Aranha family)	1,828,486,350	63.27	1,027,275,774	18.61	2,855,762,124	33.95
Other shareholders	1,061,353,293	36.73	4,493,582,571	81.39	5,554,935,864	66.05
Total - Outstanding shares	**2,889,839,643**	**100.00**	**5,520,858,345**	**100.00**	**8,410,697,988**	**100.00**
Residents in Brazil	2,887,785,145	99.93	3,318,421,750	60.11	6,206,206,895	73.79
Residents abroad	2,054,498	0.07	2,202,436,595	39.89	2,204,491,093	26.21

Preferred shares do not entitle their holders to vote, however, they provide the following advantages to their holders:

- Priority in the receipt of a non-cumulative annual minimum dividend of R$0.01 per share;
- The right, in a possible disposal of control, to be included in a public offering of shares so as to entitle them to a price equal to 80% of the amount paid for a share with voting rights, which is part of the controlling group, and dividends equal to those of the common shares.

Capital may be increased by up to 12,000,000,000 shares, of which up to 4,000,000,000 are common shares and up to 8,000,000,000 are preferred shares.

22.2. Reserves

22.2.1.Capital reserves

	Parent company	
	12/31/2019	12/31/2018
Stock options granted	515	619
Goodwill on the issue of shares	4	4
Tax incentives	2	2
Revaluation reserve	6	6
Other	2	2
Total	**529**	**633**

22.2.2. Revenue reserves

	Parent company					
		Statutory reserves				
	Legal reserve	Dividend equalization	Increase in working capital	Increase in the capital of investees	Additional proposed dividends	Amount
Balance on 12/31/2017	**1,374**	**4,847**	**1,594**	**2,868**	**5,002**	**15,685**
Recognition	472	61	24	37	-	594
Dividends and interest on capital	-	-	-	-	(5,002)	(5,002)
Proposed dividends and interest on capital	-	-	-	-	6,429	6,429
Expired dividends	-	1	-	-	-	1
Equity in the earnings of investees	-	31	-	-	-	31
Capital increase	-	-	-	-	-	-
Cancellation of treasury shares	-	-	(32)	-	-	(32)
Appropriation of unappropriated reserves	(100)	(2,979)	(392)	(1,529)	-	(5,000)
Balance on 12/31/2018	**1,746**	**1,961**	**1,194**	**1,376**	**6,429**	**12,706**
Recognition	516	1,241	496	744	-	2,997
Dividends and interest on capital	-	-	-	-	(6,429)	(6,429)
Proposed dividends and interest on capital	-	-	-	-	3,729	3,729
Expired dividends	-	1	-	-	-	1
Equity in the earnings of investees	-	(54)	-	-	-	(54)
Capital increase	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-
Appropriation of unappropriated reserves	-	-	-	-	-	-
Balance on 12/31/2019	**2,262**	**3,149**	**1,691**	**2,120**	**3,729**	**12,950**

(a) Legal reserve

The legal reserve is recognized at 5% of profit for the year, under the terms of Article 193 of Law No. 6,404/76, up to the limit of 20% of capital.

(b) Statutory reserves

- **Dividend equalization reserve**: it is aimed at ensuring funds for the payment of dividends, including in the form of interest on capital or their advance payment, to maintain the flow of stockholders' remuneration, limited to 40% of capital;

- **Reserve for working capital increase**: it is aimed at ensuring financial means for ITAÚSA's operations, limited to 30% of the capital; and

- **Reserve for the increase of capital of investees**: it is aimed at ensuring the preemptive right of subscription in capital increases of investees.

The amount of the above mentioned statutory reserves will not exceed the limit of 95% of capital. Additionally, the balance of these reserves, together with that of the Legal reserve, may not exceed the total capital.

(c) Additional proposed dividends

These refer to Dividends and Interest on Capital exceeding the minimum mandatory dividend, as approved by the Board of Directors, to be ratified by the Annual General Stockholders' Meeting, in the year following the Financial Statements.

22.3. Treasury shares

The changes in treasury shares are presented below:

	Parent company			
	Number of shares			
	Common	Preferred	Total	Valor
Balance on 12/31/2017	-	-	-	-
Acquisition of shares	-	(3,500,000)	(3,500,000)	(32)
Cancellation of shares	-	3,500,000	3,500,000	32
Balance on 12/31/2018	-	-	-	-
Acquisition of shares	(1,873)	-	(1,873)	-
Cancellation of shares	1,873	-	1,873	-
Balance on 12/31/2019	-	-	-	-

22.4. Carrying value adjustment

	Parent company	
	12/31/2019	12/31/2018
Post-employment benefit	(505)	(370)
Fair value of financial assets	325	(353)
Translation/hyperinflation adjustment	544	1,133
Hedge accounting	(2,126)	(2,121)
Total	**(1,762)**	**(1,711)**

The balances refer, in its totality, to the equity method on the carrying value adjustments of associates and jointly-controlled companies.

22.5. Distribution of profit, Dividends and Interest on capital

22.5.1. Distribution of profit

	Parent company	
	12/31/2019	12/31/2018
Profit	10,312	9,436
(-) Legal reserve	(516)	(472)
Calculation basis of dividends/interest on capital	**9,796**	**8,964**
Mandatory minimum dividend (25%)	**2,449**	**2,241**
Appropriation:		
Distribution to stockholders		
Dividends	3,536	2,264
Interest on capital (gross)	50	149
Additional proposed dividends (Revenue reserves)	1,901	3,812
Additional proposed interest on capital (Revenue reserves)	1,828	2,617
	7,315	**8,842**
Revenue reserves	**2,481**	**122**
	9,796	**8,964**
Gross % belonging to stockholders	**74.7%**	**98.6%**

Shares of both types are included in profits distributed in equal conditions, after common shares are assured dividends equal to the annual minimum mandatory of R$0.01 per share to be paid to preferred shares.

The amount per share of dividends and interest on income in 2019 is as follows:

	Date of payment (made and expected)	Amount per share		Amount distributed	
		Gross	Net	Gross	Net
Paid					
Quarterly dividend payments	07/01/2019	0.02000	0.02000	168	168
Additional dividend payments	08/23/2019	0.34050	0.34050	2,864	2,864
Quarterly dividend payments	10/01/2019	0.02000	0.02000	168	168
		0.38050	**0.38050**	**3,200**	**3,200**
Recognized in a provision					
Quarterly dividend payments	01/02/2020	0.02000	0.02000	168	168
Quarterly dividend payments	04/01/2020	0.02000	0.02000	168	168
Interest on capital	03/06/2020	0.00595	0.00506	50	43
		0.04595	**0.04506**	**386**	**379**
Proposed					
Quarterly dividend payments	03/06/2020	0.22600	0.22600	1,901	1,901
Interest on capital	03/06/2020	0.21740	0.18479	1,828	1,554
		0.44340	**0.41079**	**3,729**	**3,455**
Total		**0.86985**	**0.83635**	**7,315**	**7,034**

22.5.2. Dividends and interest on income payable

Changes in dividends and interest on income is as follows:

	Parent company			Consolidated		
	Dividends	Interest on capital	Total	Dividends	Interest on capital	Total
Balance on 12/31/2017	**226**	**1,108**	**1,334**	**226**	**1,151**	**1,377**
Dividends from previous years	2,207	2,454	4,661	2,207	2,454	4,661
Capital call	(1,381)	-	(1,381)	(1,381)	-	(1,381)
Dividends for the year	2,264	-	2,264	2,429	-	2,429
Interest on capital	-	133	133	-	329	329
Expired dividends	-	(1)	(1)	-	(1)	(1)
Payments	(2,974)	(3,628)	(6,602)	(2,974)	(3,670)	(6,644)
Balance on 12/31/2018	**342**	**66**	**408**	**507**	**263**	**770**
Dividends from previous years	3,812	2,310	6,122	3,812	2,310	6,122
Dividends for the year	3,536	-	3,536	3,536	-	3,536
Interest on capital	-	43	43	-	129	129
Expired dividends	-	(1)	(1)	-	(1)	(1)
Payments	(7,343)	(2,368)	(9,711)	(7,507)	(2,564)	(10,071)
Balance on 12/31/2019	**347**	**50**	**397**	**348**	**137**	**485**

23. NET REVENUE

	Consolidated	
	2019	2018
Service and sales revenue		
Domestic market	5,298	5,566
Foreign market	913	1,101
	6,211	**6,667**
Deductions from revenue		
Taxes and contributions on sales	(1,203)	(1,292)
	(1,203)	**(1,292)**
Total	**5,008**	**5,375**

24. INCOME BY NATURE

	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Personnel compensation and charges		(43)	(13)	(1,040)	(1,021)
Raw and consumption materials		-	-	(2,225)	(2,658)
Changes in inventories of finished products and work in process		-	-	114	217
Change in the fair value of biological assets	12	-	-	126	148
Depreciation and amortization		(5)	(3)	(691)	(783)
Estimated losses on allowance for doubtful accounts		-	-	(11)	(10)
Transportation expenses		-	-	(340)	(385)
Advertising expenses		-	-	(97)	(83)
Insurance		(7)	(3)	(12)	(7)
Other expenses	24.1	(68)	(66)	(645)	(487)
Total		**(123)**	**(85)**	**(4,821)**	**(5,069)**
Reconciliation with Statement of Income					
Cost of products and services		-	-	(3,718)	(4,006)
Selling expenses		-	-	(716)	(721)
General and administrative expenses		(123)	(85)	(387)	(342)
Total		**(123)**	**(85)**	**(4,821)**	**(5,069)**

24.1. Other expenses (Parent Company)

Of the amount of R$68 in 2019 (R$66 in 2018), R$51 (R$56 in 2018) refers to third-party services, such as consulting services and legal fees.

25. OTHER INCOME AND EXPENSES

	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Dividends and Interest on capital		165	153	165	142
Income from sale of farms	25.1	-	-	267	621
Income from sale of investments	15.1.1	-	(121)	-	(121)
Income from sale of PPE		28	-	50	1
Employee benefits		2	1	23	(8)
Rental revenue		6	7	5	30
Impairment – Property, plant and equipment and Intangible assets	17.4	-	-	(9)	(224)
Other		-	(2)	34	(58)
		201	**38**	**535**	**383**

25.1 Gain (loss) on the disposal of property, plant and equipment

This refers to the gain on the disposal of farms (land only) located in the regions of Agudos, State of São Paulo and Botucatu, State of São Paulo, by the indirectly-controlled company Duratex Florestal.

26. FINANCE RESULT

	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Finance income					
Interest income from financial investments		47	40	105	110
Yield from marketable securities		-	17	-	17
Fair value of marketable securities		231	140	231	140
Foreign exchange variation – assets	26.2	59	48	77	83
Interest and discounts obtained		-	-	19	18
Adjustment to judicial deposits		21	11	25	13
Other monetary adjustments		16	14	36	62
Other finance income		-	-	3	3
		374	**270**	**496**	**446**
Finance costs					
Debt charges		(86)	(95)	(296)	(384)
PIS/COFINS on financial income	26.1	(269)	(307)	(273)	(322)
Interest on lease liability		-	-	(3)	-
Foreign exchange variation – liabilities	26.2	(71)	(89)	(80)	(119)
Other monetary adjustments		-	-	(9)	(4)
Transactions with derivatives		-	-	(4)	68
Other finance costs		(69)	(64)	(95)	(92)
		(495)	**(555)**	**(760)**	**(853)**
Finance result		**(121)**	**(285)**	**(264)**	**(407)**

26.1. Tax expenses

This refers mainly to PIS/COFINS levied on the interest on capital received.

26.2. Foreign exchange variation – assets and liabilities (Parent company)

All lines relate to the amount payable to “Nova Infraestrutura Fundo de Investimento em Participações e Multiestratégia”, a multi-strategy equity investment fund, driven by the acquisition of 7.65% of NTS (Note 11.2).

27. INCOME TAX AND SOCIAL CONTRIBUTION

The amounts recorded as income tax and social contribution expenses in the financial statements are reconciled with the nominal rates provided for in legislation, as stated below:

	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Income before income taxes	**10,393**	**9,392**	**10,730**	**9,819**
Income tax and social contribution calculated at nominal rates (34%)	**(3,534)**	**(3,193)**	**(3,648)**	**(3,338)**
(Addition)/Reduction for calculation of effective income tax and social contribution				
Equity in the earnings of subsidiaries	3,548	3,306	3,493	3,243
Dividends on investments classified as financial assets	52	45	52	45
Interest on Capital	(60)	(105)	28	(8)
Deferred tax assets not recognized	(79)	-	(80)	(13)
Impairment of intangible assets	-	-	(3)	(40)
Difference in taxation of controlled company	-	-	(3)	17
Non-deductible expenses	(7)	(7)	(11)	(12)
Other adjustments	(1)	(2)	11	(3)
Income tax and social contribution calculated	**(81)**	**44**	**(161)**	**(109)**
Current	-	(3)	(165)	(329)
Deferred	(81)	47	4	220
Effective rate	**0.8%**	**-0.5%**	**1.5%**	**1.1%**

28. EARNINGS PER SHARE

	Parent company and Consolidated	
	2019	2018
Numerator		
Profit attributable to controlling stockholders		
Preferred	6,769	6,194
Common	3,543	3,242
	10,312	**9,436**
Denominator		
Weighted average number of outstanding shares		
Preferred	5,520,927,654	5,480,116,943
Common	2,889,838,550	2,867,721,003
	8,410,766,204	**8,347,837,946**
Basic and diluted earnings per share (in Brazilian reais)		
Preferred	**1.23**	**1.13**
Common	**1.23**	**1.13**

29. SHARE-BASED PAYMENT

Stock option plan – controlled company Duratex

As provided in the Bylaws, the controlled company Duratex has a stock option plan whose purpose is to integrate its executives into the company's development process in the medium and long terms, providing them with the option of benefiting from the value that their work and dedication has added to Duratex shares.

The options will entitle their holders to subscribe to the common shares of the controlled company Duratex's authorized capital, subject to the conditions established in the plan.

The rules and operating procedures related to the plan are proposed by the Personnel, Governance and Nomination Committee ("Committee"), appointed by Duratex's Board of Directors. This committee will periodically submit proposals regarding the application of the plan for the approval of the Board of Directors.

Options may only be granted in the years when there is sufficient profit to allow for the distribution of mandatory dividends to stockholders. The total number of options to be granted each year will not exceed the limit of 0.5% of the totality of the outstanding shares of Duratex on the date of the financial statements for that year.

The exercise price to be paid to Duratex is established by the Committee upon the granting of the option. The exercise price of the options takes into consideration the average prices of Duratex common shares on the B3 trading sessions over a period of at least five and at most ninety trading sessions prior to the date of the issue of the options, at the discretion of the Committee, and an upward or downward adjustment of up to 30% may be applied. The prices established are adjusted up to the month prior to the exercise of the option at the General Market Price Index (IGP-M) or, in its absence, using an index indicated by the Committee.

Duratex uses the binomial option pricing model for the options that assumes the existence of two possible trajectories in the behavior of asset prices, an ascending one and a descending one. Accordingly, a tree is developed with the price trajectories so that the value of the share on a future date can be determined based on the volatility defined and in the time interval between the steps of the tree from the time of pricing to the expiry. The pricing process under this model is carried out based on the Backward Induction method, going from the knots on expiry to the starting point.

Volatility is calculated from a standard deviation on the history for the past 365 daily returns of the closing prices of Duratex share on B3, adjusted by the IGP-M.

We present below the characteristics of the shares granted and the main assumptions for the calculation of fair value:

	2012	2013	2014	2016	2018	2019
Main characteristics						
Total stock options granted	1,290,994	1,561,061	1,966,869	1,002,550	1,046,595	1,976,673
Exercise price on the granting date	10.21	14.45	11.44	5.74	9.02	9.80
Fair value on the granting date	5.69	6.54	4.48	4.00	5.19	5.17
Granting date	04/09/2012	04/17/2013	02/11/2014	03/09/2016	04/26/2018	05/13/2019
Date of the grace period	12/31/2015	12/31/2016	12/31/2017	12/31/2019	12/31/2021	12/31/2022
Maturity date	12/31/2020	12/31/2021	12/31/2022	12/31/2024	12/31/2026	12/31/2027
Main assumptions for the calculation of fair value						
Volatility of the share price	37.91%	34.13%	28.41%	39.82%	38.09%	38.49%
Dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Return rate free of risk (IGP-M coupon)	4.38%	3.58%	6.39%	6.95%	4.67%	4.05%
Effective exercise rate	96.63%	96.63%	96.63%	94.90%	94.90%	94.90%

The controlled company Duratex carries out the settlement of this benefit plan by delivering its own shares held in treasury until the effective exercise of the options by the executives. In 2015 and 2017, no stock options were granted.

We present below the appropriation of the stock options granted:

Granting year	To be exercised 12/31/2019	To be exercised 12/31/2018	Total amount	Periods: Due	2011 to 2015	2016	2017	2018	2019	Other periods
Overdue in previous years				72	-	-	-	-	-	-
2012	581,774	581,774	6	-	6	-	-	-	-	-
2013	897,255	897,255	9	-	7	2	-	-	-	-
2014	1,648,223	1,648,223	8	-	4	2	2	-	-	-
2016	637,100	784,800	4	-	-	1	1	1	1	-
2018	792,653	1,032,356	6	-	-	-	-	1	2	3
2019	1,976,673	-	11	-	-	-	-	-	2	9
	6,533,678	**4,944,408**	**44**	**72**	**17**	**5**	**3**	**2**	**5**	**12**
Exercise effectiveness			**94.90%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**	**94.90%**	**94.90%**	**94.90%**
Computed value			**42**	**69**	**17** (1)	**5** (2)	**3** (3)	**2** (4)	**4** (5)	**11** (6)

(1) Amount charged to income from 2012 to 2015.
(2) Amount charged to income in 2016.
(3) Amount charged to income in 2017.
(4) Amount charged to income in 2018.
(5) Amount charged to income in 2019.
(6) Value charged to income in other periods.

On December 31, 2019, controlled company Duratex had 2,051,716 treasury shares (2,316,745 on December 31, 2018), which may be used to cover a possible option exercise.

30. EMPLOYEE BENEFITS

30.1. Private pension plans

ITAÚSA and its controlled companies in Brazil are part of a group of companies that sponsor Fundação Itaúsa Industrial ("Foundation"), a nonprofit entity whose purpose is to manage private plans for the concession of annuities or supplementary income or benefits similar to those conferred by social security. The Foundation is regulated in compliance with the rules established by the Ministry of Economy by means of the National Supplementary Pension Council (CNPC), the Department of Supplementary Pension Policies (SPPC) and the National Supplementary Pension Superintendency (Previc).

The Fundação manages the Defined Contribution Plan – PAI – CD ("CD Plan") and the Defined Benefit Plan – BD ("BD Plan") and the employees have the option to voluntarily participate in CD Plan.

30.1.1. Defined Contribution Plan – CD Plan

The regulation of the plan provides for the contribution of the sponsoring companies between 50% and 100% of the amount contributed by the employees.

This plan is offered to all employees of the sponsoring companies and had 7,524 participants on December 31, 2019 (8,141 on December 31, 2018).

There is no actuarial risk for the sponsoring companies in the CD Plan, that is, there is no additional payment obligation after the contributions are made.

Up to December 31, 2018, ITAÚSA had no participation in the CD Plan. After its merger of Itaúsa Empreendimentos on August 30, 2019, ITAÚSA (Note 15.1.2), then participants in Itaúsa Empreendimentos, as well as all plan assets, now belong to ITAÚSA.

Due to the surplus position of the plan, presented in item (a) below, ITAÚSA and its controlled companies did not make any contributions in 2019 and 2018.

(a) Employer's Pension Fund

Contributions made by the sponsoring companies that remained in the plan because the participants had opted for redemption or early retirement, formed the Employer's Pension Fund, which, according to the plan's regulation, has been used to offset future contributions made by the sponsoring companies.

The present value of future regular contributions, using the average percentage of the regular contribution of the sponsoring companies, was calculated by actuaries and is presented below:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Present value of obligations	(52)	-	(1,771)	(1,713)
Fair value of assets	81	-	2,777	2,533
Restriction in the recognition of assets	(18)	-	(885)	(709)
Assets recognized (non-current)	**11**	**-**	**121**	**111**

The change in the balance receivable in ITAÚSA's financial statements, in the amount of R$1 (after merging the balance of Itaúsa Empreendimentos) and in the consolidated financial statements, in the amount of, R$10, was recorded in profit or loss as a contra-entry to the "Other income and expenses" account.

30.1.2. Defined Benefit Plan – BD Plan

The main purpose of this plan is the concession of benefits that, as a lifetime monthly income, are intended to supplement, under the terms of its regulation, the income paid by social security. This plan is considered extinguished because no new participants can be admitted to it.

The resources of the plan are converted into benefits in the event of retirement based on the time of contribution, special circumstances, age and disability, in addition to a retirement premium, lifetime monthly income and death annuity.

In December 2019, PREVIC approved the appropriation of the BD Plan special reserve for the year 2016 to be refunded to all sponsors in 36 monthly installments from January 2020, in the amounts of R$2 in ITAÚSA and R$18 in Consolidated, recorded in the Balance Sheet under "Other assets" (Note 11) as a contra-entry to income for the year under "Other income and expenses".

Due to the surplus position of the plan, presented in item (a) below, ITAÚSA and its controlled companies do not expect to make any contributions in 2020.

(a) Changes in actuarial assets and liabilities

		Parent company							
		12/31/2019				12/31/2018			
	Note	Present value of the plan's obligations	Fair value of the plan's assets	Restriction in the recognition of the asset	Recognized net assets (liabilities)	Present value of the plan's obligations	Fair value of the plan's assets	Restriction in the recognition of the asset	Recognized net assets (liabilities)
Opening balance		-	-	-	-	-	-	-	-
Merger – Itaúsa Empreendimentos		(15)	23	(9)	(1)	-	-	-	-
Cost of interest		(1)	2	-	1	-	-	-	-
Return on the plan's assets		-	3	-	3	-	-	-	-
Actuarial gains (losses) arising from economic assumptions		(2)	-	-	(2)	-	-	-	-
Change in unrecoverable surplus		-	-	1	1	-	-	-	-
Benefits paid		1	(1)	-	-	-	-	-	-
Closing balance		**(17)**	**27**	**(8)**	**2**	-	-	-	-
Current	11				1				-
Non-current	11				1				-

		Consolidated							
		12/31/2019				12/31/2018			
		Present value of the plan's obligations	Fair value of the plan's assets	Restriction in the recognition of the asset	Recognized net assets (liabilities)	Present value of the plan's obligations	Fair value of the plan's assets	Restriction in the recognition of the asset	Recognized net assets (liabilities)
Opening balance		(159)	245	(82)	4	(153)	243	(65)	25
Cost of current service		-	-	-	-	-	10	-	10
Cost of interest		(14)	21	(5)	2	(15)	12	(6)	(9)
Return on the plan's assets		-	20	-	20	-	2	-	2
Actuarial gains (losses) arising from demographic assumptions		-	-	-	-	(3)	-	-	(3)
Actuarial gains (losses) arising from economic assumptions		(22)	-	-	(22)	(4)	-	4	-
Change in unrecoverable surplus		-	-	18	18	-	-	(16)	(16)
Contributions paid by sponsors		-	(4)	-	(4)	-	(6)	-	(6)
Benefits paid		16	(16)	-	-	16	(16)	-	-
Closing balance		**(179)**	**266**	**(69)**	**18**	**(159)**	**245**	**(83)**	**3**
Current	11				6				3
Non-current	11				12				-

(b) Classes of assets

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Classe de ativos	%	%	%	%
Debt securities	100	-	100	100
Investment funds	-	-	-	-
Real estate properties	-	-	-	-
Other	-	-	-	-
Total	**100**	**-**	**100**	**100**

(c) Main actuarial assumptions

	Parent company and Consolidated	
	12/31/2019	12/31/2018
Economic assumptions		
Discount rate	6.99%	9.13%
Inflation rate	3.80%	4.00%
Salary growth rate	3.80%	6.36%
Increase of benefits	3.80%	4.00%
Demographic assumptions		
Mortality table	AT-2000 (rated down by 10%)	AT-2000 (rated down by 10%)
Mortality table of disabled people	RRB - 1983	RRB - 1983
Disability table	RRB - 1944 (rated down by 70%)	RRB - 1944 (rated down by 70%)
Turnover table	Actuary experience	Actuary experience
Retirement age	First age entitled to one of the benefits	First age entitled to one of the benefits

(d) Sensitivity analysis

We present below a sensitivity analysis that takes into consideration the effects arising from the changes in the main actuarial assumptions used to determine the result of the BD Plan:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Taxa de desconto				
+1.0%	16	-	166	148
-1.0%	19	-	196	172

(e) Analysis of the maturity of benefits

	Parent company	Consolidated
	12/31/2019	12/31/2019
2020	1	16
2021	1	15
2022	1	15
2023	1	16
2024	1	16
2025 - 2029	8	77
Total	**13**	**155**

30.2. Health care plans

The controlled company Duratex offers two health care plans:

- **Post-employment health care plan:** Duratex offers plans that were contributory, which are currently co-participated with its employees and their respective dependents, and only the units in Aracaju, State of Sergipe, and the distribution center in Tubarão, State of Santa Catarina, continue as contributory plans. On December 31, 2019 and 2018, 9 and 13 health care operators 21,973 and 25,059 participants, respectively (active, dismissed, retired and dependents), characterizing the obligation to extend the coverage to dismissed and retired employees, in accordance with Law No. 9,656/98.

- **Health care assistance to dismissed employees:** Controlled company Duratex offers a healthy care assistance plan to dismissed employees.

Controlled company Duratex has engaged a number of independent actuaries to carry out an actuarial assessment of the plan liabilities on December 31, 2019 and 2018. The hypotheses and actuarial method used for the assessment adopted were in compliance with actuarial principles and CPC 33 (R1)/ IAS 19 - Employee Benefits.

(a) Changes in actuarial liabilities

	Consolidated	
	12/31/2019	12/31/2018
Present value of the plan's obligations		
Opening balance	**30**	**11**
Acquisition of companies	9	-
Cost of interest	3	18
Actuarial gains (losses) arising from economic assumptions	30	1
Closing balance	**72**	**30**
Recognized in profit or loss	3	18
Recognized in other comprehensive income	30	1

31. SEGMENT INFORMATION

The disclosed operating segments reflect, in a consistent manner, the management of decision-making processes and the monitoring of results by the Executive Committee, the main operational decision-maker at ITAÚSA.

Companies in which ITAÚSA invests are independent to define different and specific standards in management and segmentation of their respective business.

The accounting policies for each segment are in compliance with those described in Note 3. Segments have a diversified customer portfolio, with no concentration on revenue.

ITAÚSA's operating segments were defined in accordance with the reports presented to the Executive Committee. Segments included in the consolidated financial statements of ITAÚSA are as follows:

- **Duratex:** It has 3 business segments: (i) Deca – manufactures and sells bathroom porcelains and metals, showers and electric taps, sold under Deca and Hydra brands, distinguished for a wide line of products, bold design and high quality; (ii) Ceramic tiles – manufactures and sells floor and wall coatings under Ceusa, Cecrisa, and Portinari brands, distinguished in the domestic market for its innovation, quality and cutting-edge technology; and (iii) Wood – manufactures and sells wood panels from pine and eucalyptus from certified reforestation forests, largely used in the manufacture of furniture, mainly fiberboard, chipboard and medium, high and super-density fiberboards, better known as MDF, HDF and SDF, from which laminate and vinyl flooring, under Durafloor brand, and ceiling and wall coatings are manufactured.
- **Other:** These refer to the information on Itautec and ITH Zux Cayman. In 2018, Itaúsa Empreendimentos (merged into ITAÚSA on August 2019) and Elekeiroz (sold in May 2018) were also included.

	2019					2018				
	Duratex	ITAÚSA	Other	(-) Elimination	Consolidated	Duratex	ITAÚSA	Other	(-) Elimination	Consolidated
Financial information										
Total assets	10,715	58,571	69	(1,879)	67,476	9,482	58,360	382	(2,221)	66,003
Total liabilities	5,783	3,339	28	(31)	9,119	4,847	3,217	47	(187)	7,924
Total stockholders' equity	4,931	55,232	40	(4,971)	55,232	4,634	55,143	335	(4,969)	55,143
Net revenue	5,012	-	23	(27)	5,008	4,949	-	462	(36)	5,375
Domestic market	4,178	-	23	(27)	4,174	4,001	-	462	(36)	4,427
Foreign market	834	-	-	-	834	948	-	-	-	948
Equity in the earnings of subsidiaries	(1)	10,436	-	(163)	10,272	-	9,724	-	(187)	9,537
Finance result	(160)	(121)	17	-	(264)	(150)	(285)	28	-	(407)
Depreciation and amortization	(684)	(5)	(2)	-	(691)	(775)	(3)	(5)	-	(783)
Income tax and social contribution	(73)	(81)	(7)	-	(161)	(151)	44	(2)	-	(109)
Profit	406	10,312	15	(164)	10,569	432	9,436	28	(186)	9,710
Revenue per location										
ROE [1]	8.6%	19.4%	-	-	-	8.8%	18.2%	-	-	-
Internal generation of resources [2]	1,278	299	-	-	-	1,208	969	-	-	-

[1] *Represents the ratio of net income to average stockholders' equity, both attributable to controlling stockholders.*
[2] *Refers to line "Net cash from operating activities" in Statement of cash flows.*

Even though Itaú Unibanco, Alpargatas and NTS are not controlled companies and, therefore, are not included in the consolidated financial statements, Management reviews their information and consider them as a segment, as they are part of ITAÚSA's investment portfolio. Their activities are detailed as follows:

- **Itaú Unibanco:** it is a banking institution that offers, directly or by means of its subsidiaries, a broad range of credit products and other financial services to a diversified individual and corporate client base in Brazil and abroad.
- **Alpargatas:** its activities include the manufacturing and sale of footwear and its respective components, apparel, textile items and respective components, leather, resin and natural or artificial articles, and sports articles.
- **NTS:** a natural gas transporter, by means of gas pipelines, that operates in the states of Rio de Janeiro, Minas Gerais and São Paulo, which correspond to approximately 50% of the consumption of gas in Brazil. This system has connections with the Brazil-Bolivia gas pipeline, with liquefied natural gas (LNG) terminals and with gas processing units.

	2019			2018		
	Itaú [1]	ALPARGATAS	nts	Itaú [1]	ALPARGATAS	nts
Financial information						
Total assets	1,637,481	4,522	10,051	1,552,797	3,980	9,845
Total liabilities	1,488,016	1,787	7,410	1,402,331	1,510	6,637
Total stockholders' equity	136,925	2,643	2,641	136,782	2,381	3,208
Net revenue [2]	188,893	3,712	4,406	172,087	3,380	4,041
Domestic market	157,247	2,918	4,406	145,385	2,670	4,041
Foreign market	31,646	794	-	26,702	710	-
Equity in the earnings of subsidiaries	1,315	-	-	747	-	-
Finance result [3]	-	(1)	(282)	-	(7)	(376)
Depreciation and amortization	(4,630)	(173)	340	(3,332)	(107)	(417)
Income tax and social contribution	(3,430)	(111)	(1,085)	(4,969)	(61)	(894)
Net income	27,113	274	2,218	24,907	331	1,934
Performance analysis	-	-	-	-	-	-
ROE	21.8%	11.0%	-	20.4%	14.9%	-
Internal generation of resources	61,198	700	-	62,890	570	-

[1] This corresponds to the direct and indirect interest by means of IUPAR (please see Note 15.3)
[2] For Itaú Unibanco, this corresponds to: (i) Income from interest, yield and dividends; (ii) Adjustment to fair value of financial assets and liabilities; (iii) Income from foreign exchange operations and foreign exchange variations on transactions abroad; (iv) Service revenue; and (v) Income from insurance and pension plan operations.
[3] Since Itaú Unibanco is part of the "Financial segment", finance income and costs are included in "Net revenue".

32. RELATED PARTIES

Transactions between related parties arise from the ordinary course of business and are carried out based at amounts and usual market rates prevailing on the respective dates, as well as under reciprocal conditions.

ITAÚSA has a “Policy for Transactions with Related Parties” approved by the Board of Directors that is aimed at establishing rules and procedures to assure that the decisions involving transactions with related parties and other situations with potential conflicts of interest are made so as to ensure reciprocity and transparency, thus guaranteeing to stockholders, investors and other stakeholders that the transactions were based on the best corporate governance practices.

In addition to the amounts of dividends receivable (Note 9), the other balances and transactions between related parties are presented below:

	Nature	Relacionamento	Parent company		Consolidated	
			12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets						
Cash and cash equivalents						
Itaú Unibanco	Financial investments	Jointly-controlled company	-	-	43	20
Customers						
Leo Madeiras Máquinas & Ferramentas Ltda.	Sales of goods	Non-controlling stockholder of controlled company Duratex	-	-	32	39
Total			-	-	75	59
Liabilities						
Other liabilities						
Itaú Unibanco	Provision of services	Jointly-controlled company	-	-	(5)	(8)
Ligna Florestal Ltda.	Lease liabilities	Non-controlling stockholder of controlled company Duratex	-	-	(29)	-
LD Florestal	Lease liabilities	Indirect jointly-controlled company	-	-	(260)	-
Itaú BBA	Debenture issue costs	Jointly-controlled company	-	-	2	-
Itaúsa Empreendimentos	Provision of services	Controlled company	-	(4)	-	-
Itaú Corretora	Provision of services		(1)	-	(1)	-
Total			(1)	(4)	(293)	(8)
Profit or loss						
Net revenue						
Leo Madeiras Máquinas & Ferramentas Ltda.	Sales of goods	Non-controlling stockholder of controlled company Duratex	-	-	125	155
Fibria Celulose S.A.	Sales of goods		-	-	-	35
Cost of products and services						
Ligna Florestal Ltda.	Agricultural lease contracts	Non-controlling stockholder of controlled company Duratex	-	-	(3)	(25)
LD Florestal	Agricultural lease contracts	Indirect jointly-controlled company	-	-	(24)	-
General and administrative expenses						
Itaú Corretora	Provision of services	Jointly-controlled company	(8)	(4)	(8)	(4)
Itaú Unibanco	Agreement for the Apportionment of Comr	Jointly-controlled company	-	(1)	(1)	(2)
Itaúsa Empreendimentos	Provision of services	Controlled company	(26)	(36)	-	-
Other income and expenses						
Itaú Unibanco	Revenue from rental	Jointly-controlled company	1	3	1	3
Itaú Unibanco	Sale of PPE	Jointly-controlled company	37	-	37	-
Duratex	Revenue from rental	Controlled company	4	4	-	-
Finance result						
Itaú Unibanco	Financial investments	Jointly-controlled company	-	-	2	1
Itaú Unibanco	Finance costs	Jointly-controlled company	-	-	-	(2)
Total			8	(34)	129	161

32.1. Guarantees offered

ITAÚSA is a guarantor of the following transactions:

Related party	Relationship	Type	Subject matter	Parent company 12/31/2019	Parent company 12/31/2018
Duratex	Controlled company	Surety	Loan	28	31
Duratex Florestal Ltda.	Indirectly-controlled company	Surety	Loan	38	42
Itautec	Controlled company	Surety	Surety - Collateral in lawsuits	26	45
Total				92	118

32.2. Management compensation

	Parent company		Consolidated	
	2019	2018	2019	2018
Compensation	23	20	62	48
Payroll charges	2	2	3	7
Short-term benefits [(1)]	1	1	1	2
Post-employment benefit	-	-	-	2
Share-based compensation plan	-	-	4	2
Total	**26**	**23**	**70**	**61**

[(1)] *Include: Medical and dental assistance, meal subsidy, and life insurance.*

33. NON-CASH TRANSACTIONS

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Dividends/Interest on capital (Gross) resolved upon and not received	205	292	160	91
Dividends/Interest on capital (Gross) resolved upon and not paid	386	405	460	491
Capital increase with dividend/interest on capital credit	-	706	-	706
Total	**591**	**1,403**	**620**	**1,288**

Independent Auditor's Report
on the parent company and consolidated financial statements

To the Board of Directors and Stockholders
Itaúsa – Investimentos Itaú S.A.

Opinion

We have audited the accompanying parent company financial statements of Itaúsa – Investimentos Itaú S.A. (the "Company"), which comprise the balance sheet as at December 31, 2019 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Itaúsa – Investimentos Itaú S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

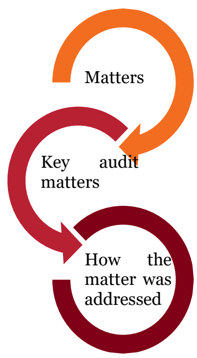
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. and of Itaúsa – Investimentos Itaú S.A. and its subsidiaries as at December 31, 2019, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the " Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements " section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and the Professional Standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current fiscal year. Considering the holding activity carried out by the Company, its KAM are themes arising from investments in subsidiaries and jointly controlled entities, as set out below. These matters were addressed in the context of the audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit in 2019 was planned and executed considering that the operations of the Company and its subsidiaries did not present significant modifications in relation to the previous year. In this context, the key audit matters, as well as our audit approach, have remained substantially in line with those of the previous year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Jointly-controlled subsidiaries – Itaú Unibanco Holding S.A. ("IUH") and Itaú Unibanco Participações S.A. ("IUPAR") – (Note 15)	
Investments in IUH and IUPAR represent a substantial part of the Company's individual and consolidated assets, being recorded on the "Investments" accounting balance and accounted for under the equity method. IUPAR is a holding company created to control IUH, which is its main asset. The IUH, in turn, is a financial institution that operates in various banking business, as well as in insurance, pension plan and capitalization activities. IUH carries out an expressive amount of activities related to these areas and due to the history of acquisitions and size of operations, its technology environment is composed of several different processes and segregated controls. As a result, IUH is highly dependent on its information technology environment to process these operations. In addition, IUH's financial statements present critical accounting estimates related to operations that require a high level of judgment to record and measure transactions and to calculate accounting balances. These accounting estimates involve the following main areas: • provision for expected loss; • fair value of financial instruments, including derivatives; • deferred tax assets; • realization of goodwill and intangible assets; • provision for contingent liabilities. As a result of the foregoing, we continue to consider these accounting estimates as well as the information technology environment itself as areas of audit focus.	As part of our audit procedures, we performed tests on the calculation of the equity balances carried out by the Company's Management in relation to investments in IUH and IUPAR, comparing the results obtained with the accounting records. We also evaluated the disclosures in the Company's financial statements in accordance with the requirements of accounting standards. The results of our audit procedures are consistent with the disclosures in the notes. We also audited the financial statements of IUH, and this audit included, among other audit procedures, the following: - Regarding the information technology environment: With the support of our specialists, we updated our assessment around the information technology environment, including the automated controls of the application systems that are significant for the preparation of the financial statements. The procedures we performed were comprised of a combination of relevant control tests and, when necessary, tests of compensating controls and performance of tests on certain aspects related to the information security, including access management and segregation of duties. The combination of the tests of controls with other additional tests produced sufficient audit evidence to allow us to conclude that the IUH's systems are operating appropriately. - In relation to the critical accounting estimates: Understanding and tests of the main controls used to measure, record, write-off and disclosure the operations, including management controls for the implementation of IFRS 9 - Financial Instruments. With the support of our specialists, we analyzed, when applicable, the reasonableness of selected assumptions and judgements applied by IUH's management. We also tested the completeness of the databases and the models involved in the calculation of the balances. We performed tests of details to assess existence, correct amount, integrity, and timely recording of the operations; also, we performed external confirmation procedures with lawyers of IUH to confirm the probability of loss on the judicial proceedings. We consider that the criteria and assumptions

Why it is a Key Audit Matter	How the matter was addressed in the audit
	adopted by management to determine these critical estimates lead to amounts that remain within the acceptable intervals in relation to the accounting practices.
Investment in Subsidiary - Duratex S.A. and in Joint Subsidiary Alpargatas S.A. (Note 15)	
Investments in subsidiary Duratex S.A. and jointly-controlled subsidiary Alpargatas S.A., together represent approximately 6% of total assets in the Company's individual financial statements. The financial statements of Duratex S.A. and Alpargatas S.A. present critical accounting estimates related to operations that require a high level of judgment to record and measure transactions and to calculate accounting balances. The main critical accounting estimates are: Duratex • Risk of variation in the fair value of biological assets; • Estimated impairment of goodwill; • Benefits from pension and health plans; • Provision for contingencies; • Fair value of financial instruments; • Deferred income tax and social contribution. Alpargatas • Recognition of the provision for expected losses (impairment) of receivables from customers; • Deferred income and social contribution taxes; • Goodwill impairment test; • Provision for tax, civil and labor risks; • Long-term incentive plan; • Derivative financial instruments and hedge accounting. Due to the uncertainties inherent in these types of estimates, they were considered an area of focus in the audit of the financial statements of Itaúsa - Investimentos Itaú S.A.	The audit procedures in relation to the critical accounting estimates included communication with the auditors of Duratex and Alpargatas in order to discuss the audit risks identified, the focus, scope and timing of the work. We also reviewed their working papers and discussed the results of the work performed. Specifically, in relation to critical accounting estimates, we consider: • The work performed and the conclusions of the auditors, including their specialists, when applicable, regarding the assessment of the assumptions and methodologies used by the management of these companies; and • The corresponding disclosures in Itaúsa's individual and consolidated financial statements. After applying these procedures, we consider that the assumptions and methodologies used for accounting estimates are adequate to mitigate the associated risks of material misstatements on the financial statements.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2019, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Management of Itaúsa – Investimentos Itaú S.A. is responsible for the other information that comprises the Management Report. Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and the consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 17, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Emerson Laerte da Silva
Contador CRC 1SP171089/O-3

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ 61.532.644/0001-15 A Publicly Listed Company NIRE 35300022220

OPINION OF THE FISCAL COUNCIL

The members of Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.** ("Itaúsa") examined the management report and the individual and consolidated financial statements of Itaúsa as of December 31, 2019, which were reviewed by the independent auditor, PricewaterhouseCoopers Auditores Independentes ("PwC").

The Fiscal Councilors verified the exactness of the elements examined and considering the unqualified report issued by PwC, understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period and meet the required conditions to be submitted to the appreciation of the Stockholders at the 2020 Annual General Meeting. São Paulo (SP), February 17, 2020. (signed) Tereza Cristina Grossi Togni – Chair; Eduardo Rogatto Luque, Flavio Cesar Maia Luz, José Maria Rabelo and Paulo Ricardo Moraes Amaral – Councilors.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ 61.532.644/0001-15 A Publicly Listed Company NIRE 35300022220

SUMMARIZED MINUTES OF THE MEETING OF THE BOARD OF EXECUTIVE OFFICERS HELD ON FEBRUARY 17, 2020

DATE, TIME AND PLACE: on February 17, 2020, at 8:30 am, at Paulista Avenue, 1938, 5th floor, Room 501, in the city and state of São Paulo.

CHAIR: Alfredo Egydio Setubal, CEO.

QUORUM: all members of the Executive Committee, with the presence of Managing Officers invited to participate in the meeting.

RESOLUTIONS ADOPTED: following examination of the account statements for fiscal year ending December 31, 2019, receiving a favorable recommendation from the Finance Commission, pursuant to item 7.7 of the Corporate Bylaws, the Executive Committee decided unanimously, further to statutory requirements and according to the rules of the Brazilian Securities and Exchange Commission - CVM (subsection V and VI, Article 25 of CVM Instruction 480/09), that:

(i) it has reviewed, discussed and agrees with the opinion expressed in the report issued by PricewaterhouseCoopers Auditores Independentes as independent auditors, referring to the financial statements as of December 31, 2019; and

(ii) it has reviewed, discussed and agrees with the financial statements for the fiscal year ending December 31, 2019.

CONCLUSION: there being no further matters on the agenda, these minutes were drafted, read, approved and signed by all. São Paulo (SP), February 17, 2020. (signed) Alfredo Egydio Setubal - CEO; Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Rodolfo Villela Marino - Executive Vice-Presidents; Frederico de Souza Queiroz Pascowitch, Maria Fernanda Ribas Caramuru and Priscila Grecco Toledo – Managing Officers.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer