ITAÚSA

Management Report

September 30, 2018

MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the period from July to September 2018 (3Q18), prepared in accordance with the standards established by the Accounting Pronouncements 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 CVM and to B3 S.A. – Brasil, Bolsa, Balcão (B3).

Adoption of CPC 47 and CPC 48

For better comparability, the information on fiscal year 2017 was adjusted to the effects arising from the adoption of CPC 47 (revenue from contracts with clients) and CPC 48 (financial instruments).

1) ECONOMIC ENVIRONMENT

The global economy is expected to consolidate a sharper economic growth in 2018. The U.S. economy grew 2.7% in the four quarters up to September 2018 from the 2.2% recorded in the same period of 2017. In the euro-zone, GDP rose by 2.2% in the four quarters up to June 2018, compared to 2.4% in 2017. After a 6.9% growth in 2017, China witnessed a moderate downturn in 3Q18 (6.5% for the year). The economic activity is expected to record a lower growth in 2019.

In the domestic scenario, GDP rose by 1.0% in 2017 and 1.4% in the four quarters up to 2Q18. This figure indicates an improvement from 2015 and 2016, years overshadowed by economic shrinkage.

Regarding the labor market, unemployment rate is 12.1% in the quarter ended August 2018, from 12.6% in the same period of 2017, as measured by the Continuous Pnad (Continuous National Household Sample Survey).

Inflation measured by IPCA reached 4.5% in the last 12 months ended in September, from 2.5% recorded in the same period of 2017. Analysis of broken-down figures shows that regulated prices rose 10.4% in the period, whereas free prices rose 2.6%.

Current inflation below the set-up target and economic activity below expectations have allowed a more flexible monetary policy. The Central Bank of Brazil started a cycle of cuts in interest rates in October 2016 and since then the Selic rate has been reduced to current 6.50% per year from 14.25%.

2) ITAÚSA HIGHLIGHTS AND EVENTS

ITAÚSA

Corporate Governance

Code of Conduct updated and independent reporting channel launched

On August 29, 2018, Itaúsa held an internal event to relaunch its revised and improved Code of Conduct (former Code of Ethics), and introduce its Reporting Channel, managed by a specialized third party and operated under strict confidentiality rules. These developments meet the best corporate governance practices and are in line with the Company's culture, values, and ethical and transparency principles.

Sustainability

Itaúsa and Itaú Unibanco once again makes up the DJSI

Itaúsa, for the 15th year, and Itaú Unibanco, for the 19th consecutive year, were chosen to make up the Dow Jones Sustainability World Index (DJSI), the world's main corporate sustainability index. In its 2018/2019 edition, the portfolio is made up of 317 companies from 30 countries, of which only seven are Brazilian – among them, Itaúsa and Itaú Unibanco Holding S.A.

Itaúsa and Itaú Unibanco achieved the highest rate in the banking sector in the following criteria:

- Financial Stability and Systemic Risk
- Tax Strategy
- Environmental Reporting
- Corporate Citizenship and Philanthropy
- Financial Inclusion
- Social Reporting

Furthermore, Itaúsa and Itaú Unibanco were one more time chosen to make up the Dow Jones Sustainability Emerging Markets Index.

SUBSEQUENT EVENTS:

Increase in quarterly dividends

The quarterly dividend value increased by 33.3%, to R$0.02 per share as from the dividends for the third quarter of 2018 (previously R$0.015 per share), payable on January 2, 2019, based on the stockholding position of November 30, 2018. This resolution was taken at the Board of Directors' Meeting held on November 12, 2018.

Disclosure of the Report on Corporate Governance

On October 30, 2018, Itaúsa disclosed its Report on the Brazilian Corporate Governance Code, which addresses its level of compliance with the practices recommended therein. This document follows the "comply or explain" approach and can be accessed on the websites of Itaúsa, the CVM and B3.

Cancellation of treasury shares

On November 12, 2018, the Board of Directors approved the cancellation of 3.5 million book-entry preferred shares of own issue held in treasury, by means of the absorption of R$32.3 million.

3) ITAÚSA'S ECONOMIC PERFORMANCE

MAIN INDICATORS OF ITAÚSA'S INDIVIDUAL RESULTS

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries. We present below Itaúsa's share of income and result, considering recurring evens only (nonrecurring events are detailed in the Reconciliation of Recurring Net Income table.)

R$ million

STATEMENT OF INCOME	Q3 18	Q3 17	Actual change	YTD SEP 18	YTD SEP 17	Actual change
FINANCIAL SECTOR	2,299	2,255	2.0%	6,839	6,878	-0.6%
NON FINANCIAL SECTOR	33	85	-61.2%	168	138	21.4%
ALPARGATAS	(1)	-	n.a.	10	-	n.a.
DURATEX	23	13	76.9%	44	14	205.6%
ITAUTEC	(2)	(10)	80.0%	(3)	(17)	82.4%
NTS (1) (2)	13	82	-84.1%	117	141	-17.0%
OTHER COMPANIES (3)	2	13	-84.6%	31	22	40.9%
RECURRING SHARE OF INDIVIDUAL INCOME + DIVIDEND/ INTEREST ON CAPITAL + INTEREST ON DEBENTURES	2,334	2,353	-0.8%	7,038	7,038	0.0%
FINANCIAL INCOME / EXPENSES	(18)	(28)	35.7%	(69)	(26)	-165.4%
GENERAL ADMINISTRATIVE EXPENSES	(23)	(19)	-21.1%	(57)	(42)	-35.7%
TAX EXPENSES	(2)	(45)	95.6%	(293)	(303)	3.3%
OTHER OPERATING REVENUES	1	2	-50.0%	5	7	-28.6%
RESULTS OF ITAÚSA	(42)	(90)	53.3%	(414)	(364)	-13.7%
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	2,292	2,263	1.3%	6,624	6,674	-0.8%
INCOME TAX / SOCIAL CONTRIBUTION	44	39	12.8%	53	(77)	168.8%
RECURRING INDIVIDUAL NET INCOME	2,336	2,302	1.5%	6,677	6,597	1.2%
NON-RECURRING RESULTS	146	27	440.7%	252	(148)	270.3%
ITAÚSA'S RESULTS	-	-	n.a.	(85)	-	n.a.
FINANCIAL SECTOR	3	16	-81.3%	142	(160)	188.8%
NON FINANCIAL SECTOR	143	11	1200.0%	195	12	1525.0%
INDIVIDUAL NET INCOME	2,482	2,329	6.6%	6,929	6,449	7.4%

(1) Investment in NTS is not accounted for under the equity method.

(2)) Includes dividends/ interest on capital, adjustment to fair value of shares, interest on debentures convertible into shares, and expenses on time installment of the amount invested in NTS. The change in 3T18 was driven by the company no longer receiving interest on debentures (redeemed in May 2018), the effects of exchange variation on foreign currency-indexed debt, and the lower amount of dividends/ interest on capital received.

(3) Share of Income of the companies: Elekeiroz (until may-18), Itaúsa Empreendimentos e ITH Zux Cayman.

General and Administrative (G&A) Expenses

Taking into account the administrative structure dedicated to Itaúsa's activities, composed of 75 people, Itaúsa's G&A totaled R$26 million in the third quarter of 2018, totaling R$66 million in nine months, which accounted for 1.0% and 0.95% of net income for the same period, respectively.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

	R$ million			R$ per share		
MAIN INDICATORS OF THE PARENT COMPANY'S INCOME AND BALANCE SHEET	**YTD SEP 18**	YTD SEP 17	Actual change	**9/30/2018**	9/30/2017	Actual change
PROFITABILITY						
Net income	**6,929**	6,449	7.4%	**0.83**	0.79	5.6%
Recurring net income	**6,677**	6,597	1.2%	**0.80**	0.81	-0.5%
BALANCE SHEET						
Total assets	**55,827**	54,685	2.1%	**-**	-	-
Stockholders' equity	**52,691**	50,559	4.2%	**6.26**	6.15	1.9%
ROE %						
Return on Equity (annualized)	**18.1%**	17.8%	30 bps			
Recurring Return on Equity (annualized)	**17.4%**	18.2%	-80 bps			

MAIN FINANCIAL INDICATORS

MAIN CAPITAL MARKETS INDICATORS	**9/30/2018**	9/30/2017	Actual change	
Dividends/ interest on capital, net - in R$	**0.26**	0.19	0.07	37.2%
Price of preferred share (PN) (1) - in R$	**10.10**	10.03	0.07	0.7%
Market capitalization (2) - in R$ million	**84,948**	82,434	2,514	3.0%
Dividend Yield	**10.2%**	5.3%	490 bps	

(1) Calculated based on the close quotation of preferred shares on the last day of the period.

(2) Calculated based on the close quotation of preferred shares on the last day of the period (quotation of close PN multiplied by the number of outstanding shares at the end of the period).

Note: The number of outstanding shares and the share quotation were adjusted to reflect the 10% bonus approved in Board of Directors held on May 24, 2018.

MAIN INDICADOTORS OF ITAÚSA CONGLOMERATE COMPANIES

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements. Net income, stockholders' equity and ROE correspond to results attributable to controlling stockholders.

R$ million

	January to September	Financial Sector	Non Financial Sector	
		Itaú	ALPARGATAS	Duratex
Operating revenues [1]	2018	**125,233**	**2,647**	**3,686**
	2017	148,795	2,618	2,888
Net income	2018	**18,254**	**258**	**574**
	2017	18,387	315	100
Total Assets	2018	**1,524,489**	**3,892**	**9,974**
	2017	1,375,551	3,640	9,033
Stockholders' equity	2018	**129,879**	**2,249**	**5,389**
	2017	128,460	2,177	4,677
Annualized return on average equity (%) [2]	2018	**19.8%**	**15.8%**	**15.4%**
	2017	20.6%	19.9%	2.9%
Internal fund generation [3]	2018	**42,566**	**319**	**970**
	2017	49,468	358	735
Interest of Itaúsa in companies [4] [5]	2018	**37.57%**	**27.55%**	**36.67%**
	2017	37.41%	27.55%	36.41%

(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 ((sep + jun + mar + dec'17) /4).

(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.

RECONCILIATION OF RECURRING NET INCOME

R$ million

RECONCILIATION OF RECURRING NET INCOME	Q3 18	Q3 17	Actual change	YTD SEP 18	YTD SEP 17	Actual change
Net income	2,482	2,329	6.6%	6,929	6,449	7.4%
Inclusion/(Exclusion) of non-recurring effects D= (A + B + C)	(146)	(27)	-440.7%	(252)	148	-270.3%
Itaúsa (A)	-	-	n.a.	85	-	n.a.
Results of sale of all total shares issued by Elekeiroz	-	-	n.a.	85	-	n.a.
Arising from stockholding interest in Financial Sector (B)	(3)	(16)	81.3%	(142)	160	-188.8%
Change in Treasury Shares	(3)	(36)	91.7%	(145)	132	-209.8%
Provision for Contingencies	-	27	-100.0%	(34)	54	-163.0%
Impairment	-	51	-100.0%	38	54	-29.6%
Sale of IRB Shares	-	(58)	100.0%	-	(58)	100.0%
Other	-	-	n.a.	(1)	(22)	95.5%
Arising from stockholding interest in Non Financial Sector (C)	(143)	(11)	n.a.	(195)	(12)	n.a.
Alpargatas	(28)	-	n.a.	(29)	-	n.a.
Duratex	(115)	(11)	-945.5%	(166)	(12)	n.a.
Sale of Land and Forests - Suzano	(119)	-	n.a.	(170)	-	n.a.
Other	4	(11)	136.4%	4	(12)	133.3%
Recurring net income	2,336	2,302	1.5%	6,677	6,597	1.2%

4) CAPITAL MARKETS

Traded on B3, Itaúsa's preferred shares (ticker ITSA4) closed September 2018 at R$10.10, a 1.7% increase in the previous 12 months, whereas Ibovespa, B3's main index, increased 6.8% in the same period.

The daily average financial volume of preferred shares in the first nine months of 2018 was R$213 million, with an average of 26 thousand daily trades.

On September 30, 2018, Itaúsa had 115.6 thousand stockholders, of which 112.7 thousand individual stockholders, up 68.9% from the figure posted at the end of September 2017.

Itaúsa recorded a 10.2% dividend yield, as a result of the sum-up of dividends and interest on capital paid to the Company's stockholders in the last 12 months based on the closing price of the share in the quarter.

Itaúsa Discount

Discount is an indicator of the difference between the market price ascertained for itaúsa and the theoretical value obtained through the sum of the market values of the parts that compose the Holding Company's investments. On September 28, 2018, Itaúsa's shares were traded at a 24.1% discount, compared to 25.1% at the end of September 2017.

Market capitalization at the end of September, based on the price of the most liquid shares (ITSA4), was R$84,948 million, whereas the total market value of the sum of interests in subsidiaries reached R$111,874 million.

The Investor Relations area discloses information about the discount, which may be received by email, on a monthly basis on its website. To receive it, please register on www.itausa.com.br.

Public Meeting with Investors – in partnership with Apimec/SP

On September 12, 2018, Itaúsa held its 18th Annual Public Meeting with Investors, in partnership with Apimec/SP. This event was held at Hotel Unique in the city of São Paulo – SP, had the record attendance of 442 guests, and was broadcasted live on the Internet for 284 people.

At that event, Itaúsa's CEO and executives of the investees – Itaú Unibanco, Duratex, and Alpargatas – presented the companies' results, strategies and direction taken. The video and presentations of this event are available on Itaúsa's website on (http://www.itausa.com.br/pt/informacoes-financeiras/reunioes-com-analistas)

5) COMENTS ON THE PERFORMANCE OF INVESTEES

Itaú Unibanco Holding S.A.

Highlights

Partnership with Edenred (Ticket) to increase share in the employee benefits market (PAT)

In September 2018, Itaú Unibanco entered into a partnership with Edenred Participações S.A., the parent company of Ticket Serviços S.A. in Brazil, to operate in the employee benefits market, mainly regulated by the *Programa de Alimentação do Trabalhador* (local acronym PAT). This partnership will enable the bank to extend the benefits provided by Ticket to clients in the wholesale, middle-market, very small and small companies segments.

Under this agreement, Itaú Unibanco will make a minority investment of 11% in Ticket, by means of a capital increase to be paid (i) in cash, equivalent to the book value of such equity interest, and (ii) distribution exclusivity right assigned to Ticket regarding Ticket Restaurante, Ticket Alimentação, Ticket Cultura and Ticket Transporte to Itaú Unibanco's corporate client base during the term of this partnership. Ticket will continue to distribute its products by means of other trade agreements and will remain under Edenred's control and management.

The completion of this transaction is conditioned on approvals from the Central Bank of Brazil and CADE, the Brazilian antitrust agency. This agreement is not expected to have any material impact on the 2018 results.

POP Credicard machines launched in the acquiring segment

In July 2018, Itaú Unibanco announced the entry of the Credicard brand into the merchant acquiring segment, with a POS machine family used for payment with cards that will be offered for sale especially to self-employed individuals, micro entrepreneurs and small companies, with competitive terms of payment and fees. The choice of the Credicard brand was driven by its repositioning in the electronic payment means segment to keep up with technology and behavior changes in the world and meet the clients' needs.

Increased interest in Itaú CorpBanca

In October 2018, Itaú Unibanco indirectly acquired 10.7 billion shares of Itaú CorpBanca for CLP65.7 billion, equivalent to approximately R$362.9[1] million, as a result of the Corp Group exercising a put option set forth in the shareholders' agreement of Itaú CorpBanca. Accordingly, interest in Itaú CorpBanca increased to 38.14%, from 36.06%, with no change in the governance of Itaú CorpBanca.

[1] Based on the price of the financial settlement on October 17, 2018.

SUBSEQUENT EVENT:

50% Share Split

Itaú Unibanco`s common and preferred shares will be 50% split based on the stockholding position of November 19, 2018. Therefore, stockholders will receive, on November 26, 2018, one (1) new share for every two (2) shares of the same type they hold. It is worth mentioning that monthly dividends will be kept at R$0.015 per share, so that total monthly paid amounts will increase by 50% as from January 2, 2019. This share split was approved at the Extraordinary General Stockholders` meeting held on July 27, 2018 and approved by the Central Bank of Brazil on October 31, 2018.

Results[2]

In the third quarter of 2018, Itaú Unibanco recorded net income of R$6.3 billion, up 7.4% from the previous quarter. In the period from January to September 2018, net income totaled R$18.8 billion.

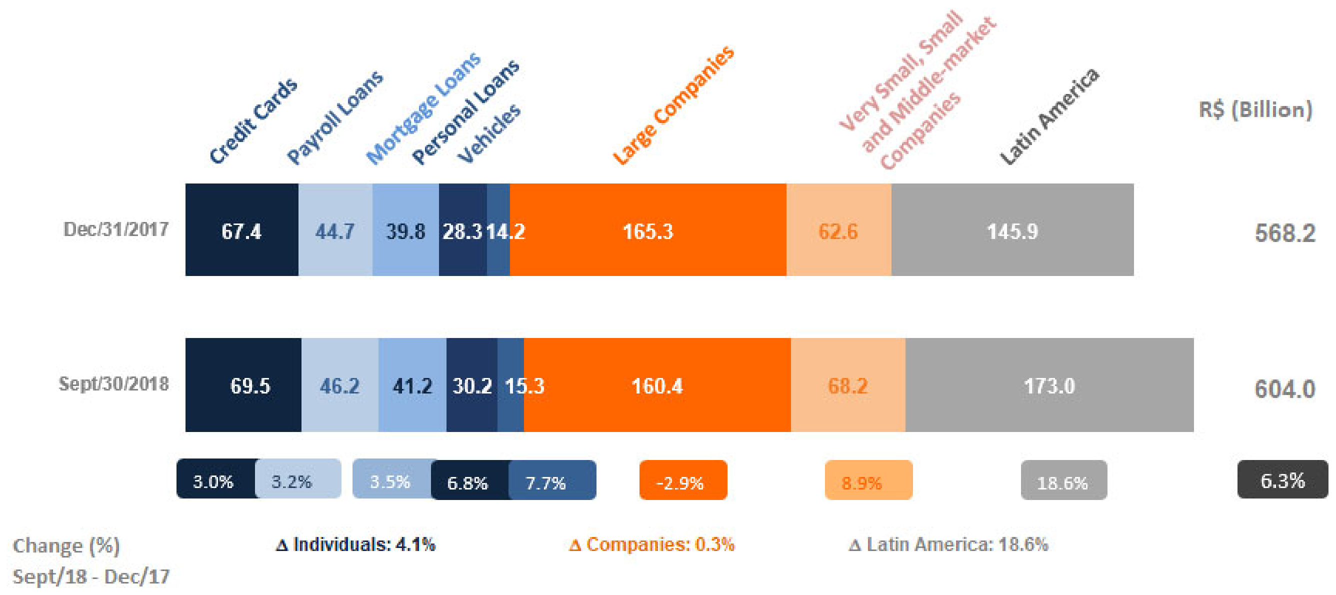
General and administrative expenses increased 11% in the quarter and 8.7% between the first nine months of 2017 and of 2018, mainly driven by increases in compensation and benefits, and the bank's risk adjusted efficiency ratio was 61.0%, down 270 bps from the same period of 2017. Itaú Unibanco is present in 19 countries, with 100.800 employees, who work seeking its clients' satisfaction. Employees' fixed compensation plus charges and benefits totaled R$12.6 billion in the first nine months of 2018.

In the period, another highlight was the 7.4% increase in commissions and fees from January to September 2017, mainly those related to current account, fund management and credit card services.

Loan portfolio totaled R$604.0 billion at the end of September 2018, up 6.3% from December 2017. From January to September 2018, the bank recorded increase in the portfolios of loans to individuals and to very small, small and middle-market companies.

We highlight below Itaú Unibanco's loan portfolio with financial guarantees provided at the end of September 2018:

2. On January 1, 2018, the new standard IFRS 9 on financial instruments came into force. This standard introduces significant changes in classification and measurement, impairment and hedge accounting. One of the key points refers to the recognition of incurred losses, which will be recorded as expected rather than actual losses incurred, as before.



Capital Management

Aimed at ensuring capital adequacy and availability to support business growth, regulatory capital levels were kept above those required by the Central Bank of Brazil, as evidenced by the Common Equity Tier I, Tier I, and BIS ratios, which reached, in the third quarter of 2018, 13.9%, 14.9% and 16.9%, respectively. These indicators provide evidence of the company's effective capacity of absorbing unexpected losses.

Furthermore, Itaú Unibanco intends to maintain the minimum level, established by the Board of Directors, of 13.5% for Tier 1[1] Capital fully loaded, which must be composed of at least 12% Common Equity Tier I. The percentage of dividends and interest on capital to be distributed to stockholders is directly related to the full Tier 1 Capital fully loaded established by the Board of Directors, which is determined based on profitability in the year, the prospective use of capital based on the expected business growth, share buyback programs, mergers and acquisitions and regulatory changes that may modify capital requirements, and changes in tax legislation. Therefore, the percentage to be distributed may change every year based on the company's profitability and capital demands, and always takes into account the minimum distribution set forth in the Bylaws.

[1] Considers the Basel III requirements, and the ratio of September 2018 was 14.8%.

For further information on capital management, see to the "Risk and Capital Management Report – Pillar 3" report on website www.itau.com.br/investor-relations > Reports > Pillar 3 and Global Systemically Important Banks.

ALPARGATAS

Highlights

Changes in Management

On October 18, the Board of Directors approved the structured plan submitted by Mr. Marcio Utsch for his succession, to become effective immediately and be concluded early in the first quarter of 2019. Mr. Roberto Funari, current member of the Company's Board of Directors, was appointed by the Board to take over as CEO after the transition period. Mr. Funari has a distinguished international career in global brand companies, working in top leading positions. Furthermore, on August 16, 2018, Mr. Julian Garrido Del Val Neto was elected by the Board of Directors as the new CFO, Investor Relations and Strategy Officer. Mr. Fabio Leite has stepped down from this position to take over as Havaianas Business Officer in Brazil, reporting to the Global Vice President of the Sandals Business.

Disposal of Topper Argentina

On September 14, 2018, Alpargatas signed with Mr. Carlos Roberto Wizard Martins a Purchase and Sale Agreement for the sale of 22.5% of the business unit related to the Topper brand in Argentina and in the world for R$100 million, with an initial upfront payment of R$40 million on the transaction closing date. This agreement provides for the possible sale of the remaining ownership control subject to the exercising of a call or put option accordingly.

Results

Net revenue totaled R$930.8 million in 3Q18, down 2.2% from the same period of 2017, mainly driven by the decrease in sales in the Argentina operation, which was partially offset by the increase in the international market.

In Brazil, sales remained stable. In the first nine months of 2018, net revenue reached R$2,647.0 million, up 1.1%, favored by the performance of sandals in the Brazilian operation.

Net revenue **in Brazil**, comprising brands Havaianas, Dupé, Mizuno, Meggashop and Osklen, reached R$688.6 million in 3Q18, in line with the results for 3Q17. The slight decrease in the shipped volume (-1.5%) was offset by the rise in the average price of sandals.

In **Havaianas International**, net revenue in 3Q18 was R$146.8 million, up 35.4% from the same period of 2017. Foreign market posted a 6.8% increase in volume in 3Q18, favored by higher sales in the APAC (Asia Pacific) region, mainly driven by the billing of products not shipped in 2Q18, and EMEA (Europe and Middle East), due to the higher replacement of client's inventories and better performance of distributions in the Middle East.

Operation in **Argentina** posted negative EBITDA of R$58.7 million, driven by labor claim expenses, and inflation and exchange adjustments, which impacted the financial statements. Net revenue in 3Q18 was R$115.3 million, down 33.0%.

Consolidated EBITDA reached R$229.7 million in 3Q18, up 110.8% from 3Q17, impacted by non-recurring events related to the successful outcome in the lawsuit requesting exclusion of ICMS (state VAT) from the COFINS calculation base in Brazil, and consulting service expenses, in addition to labor claim expenses in Argentina. Consolidated recurring EBITDA, except for the aforementioned events, totaled R$114.0 million in 3Q18, down 15.2%, with a 12.3% margin, impacted by international operation expenses, which are expected to bring future return. In 9M18, consolidated EBITDA totaled R$447.9 million, up 4.3% from the same period of 2017.

Consolidated net income for the quarter totaled R$ 119.8 million, up 68% from 3Q17. In 9M18, consolidated net income (continuing operations) reached R$251.2 million, down 18.2% from 9M17.

Operating cash generation totaled R$562.6 million in the 12-month period ended September 30, 2018. Net cash was R$27.9 million at the same date.

Duratex

Highlights

Sale of land and biological assets partially received

In the third quarter of 2018, the Company received the partial amount of the second tranche, in the amount of R$235.1 million, in connection with the sale of biological assets to Suzano Papel e Celulose.

Indebtedness continues on a downward trend

For another quarter, the company's financial leverage, measured by net debt to EBITDA of the last 12 months, kept a downward trend, to 2.32 times in 3Q18 from 2.59 times in 2Q18, as a result of the cash generation in all divisions and the sale of idle assets.

Record performance of the Ceramic Tiles division

Operating under the Ceusa brand, this business division recorded increase in volume shipped and sales in the quarter, favored by the business production capacity available and the recovery of volumes not shipped, which contributed to reduce expenses and improve results.

Results

Consolidated net revenue for the third quarter of 2018 was R$1,512.5 million, a 48.4% increase from the same period of 2017, mainly due to the higher volume sold in the three business divisions, rise in prices in the local market, appreciation of the U.S. dollar favoring exports and the receipt of R$235.1 million described above. In the first nine months of 2018, consolidated net revenue totaled R$3,686.0 million. If we excluded the effects of the sale of biological assets in two tranches of the operation with Suzano, the increase in revenue in 9M18 would be 17.5%.

Sales of the **Wood Division** in 3Q18 totaled R$1,050.2 million. If we exclude the non-recurring effect of the sale of biological assets, net revenue would record a 25.2% increase in the annual comparison. This increase reinforces the recovery trend of the wood panel industry and the capture of results of significant strategic developments carried out over the last quarters. Volumes increased 25.0% from 3Q17. This increase was strongly affected by the increasing demand for panels in the local market, the market share gain in certain categories, and the continuing pace of growth of the export program.

Deca's net revenue totaled R$406.9 million, up 10.5% from 3Q17, a result of the expansion of volumes boosted by the basic lines and rise in prices. Net revenue in the year-to-date recorded a 4.7% increase, totaling R$1,114.7 million and strengthening Deca's capacity to respond in a still adverse scenario in the construction sector.

In 3Q18, we should also highlight the performance of the **Ceramic Tiles** division, operating under the Ceusa brand. Net revenue totaled R$55.4 million, with a 21.4% increase from 2Q18, following the growth in volume at the same pace. This result was favored by the available business production capacity and the recovery of volumes not shipped in previous quarters.

Consolidated EBITDA reached R$902.8 million, up 205.6% from 3Q17. Adjusted recurring EBITDA in 3Q18 was R$209.6 million, with recurring EBITDA margin of 16.4%. The main changes in expenses arise from the consolidation of Ceusa in results, in addition to expenses incurred on advisory services and investments in technology and innovation. Recurring EBITDA in the year-to-date was R$611.7 million, a 15.2% increase from 2017 and an 18% EBITDA margin.

Net income for 3Q18 was R$376.3 million, a 352.6% increase from 3Q17, whereas recurring net income was R$61.6 million, a 17.8% increase in the same period. From January to September 2018, recurring net income was R$119.9 million, posting a 77.0% increase from 2017. Including non-recurring effects, net income in the year-to-date was R$573.8 million.

On September 30, 2018, Duratex recorded a net debt of R$1,949.2 million, a leverage ratio of 2.32 times (net debt to adjusted recurring EBITDA for the last 12 months).

nts

Results

In the third quarter of 2018, net revenue totaled R$1,016 million, and EBITDA totaled R$910 million, both in line with the figures in the same period of 2017. Net income totaled R$497 million, down 2.0% from 3Q17. Net revenue in the year-to-date was R$3.0 billion, and net income was R$1.4 billion.

Dividends and Interest on Capital

From July to September 2018, Itaúsa received dividends and interest on income, gross, in the amount of R$37 million; in the year-to-date, it received R$116 million.

Itautec

Itautec holds a 10.31% interest in the capital of Oki Brasil Indústria e Comércio de Produtos e Tecnologia de Automação S.A. (Oki Brasil). This remaining interest will be sold in January 2020 by exercising a put option against Oki Electric Industry Co. Ltd. (parent company of Oki Brasil).

As decided by its management, Itautec no longer operates in its original segments. In 2014, it terminated the production of computers, and over 2015 it sold the total products it had in stock. The manufacturing and sales of commercial and banking automation equipment and the provision of services are currently carried out by Oki Brasil. The Company’s operation in the Information Technology segment is basically aimed at fully complying with previously signed agreements.

Results

Itautec’s administrative expenses totaled R$7.2 million and had an impact of R$3.5 million in this quarter, in connection with the recognition of an environmental recovery provision related to the former production unit of Tatuapé (a city in the state of São Paulo), to cover expenses on the action plan submitted to the Companhia de Tecnologia de Saneamento Ambiental (CETESB).

Furthermore, it reversed the provision for civil contingencies, in the amount of R$4.9 million, recognized in 2013, the risk of which has expired.

6) PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 131,000 employees at the end of September 2018, including approximately 17,000 employees in foreign units and 75 people dedicated to Itaúsa's specific activities.

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) an auditor cannot audit his or her own work; (b) an auditor cannot hold managerial positions at their client's; and (c) an auditor cannot promote the interests of its client.

In the period from January to September 2018, 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 the above-described non-audit services do 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) ACKNOWLEDGMENTS

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