

**Conference Call – Itaúsa – Investimentos Itaú S.A.**  
Results of the 4<sup>th</sup> Quarter 2004  
March 9<sup>th</sup>, 2005 – 09:30 a.m. EST

**Operator:** Ladies and gentlemen, thank you for standing by. At this time all lines are in a listen-only mode. Later there will be a question and answer session, instructions will be given at that time. If you should require any kind of assistance during the call please press star, zero. As a reminder, this conference is being recorded.

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

**Mr. Thomas Karsten:** Good morning ladies and gentlemen and welcome to Itaúsa Investimentos Itaú S.A.'s conference call to discuss the results of 2004.

I would like to mention that a slide presentation has been made available on the company's investor relations website at: [www.itaúsa.com.br](http://www.itaúsa.com.br)

Before proceeding let me also mention that forward-looking statements are being made under the safe harbor of the Private Security Litigation Reform Act of 1995. Actual performance could differ materially from that anticipated in any forward-looking comments due to macroeconomic conditions, market risks, and other factors.

With us today in Sao Paulo, are Mr. Henri Penchas, Itaúsa's Investor Relations Director and CFO of Banco Itaú Holding Financeira; Mr. Silvio de Carvalho, Banco Itaú Holding Financeira's Executive Director; Mr. Alvaro Penteado de Castro, Duratex's Investor Relations Manager; Mr. Reynaldo Rubbi, Elekeiroz's Investor Relations Director and Mr. Ricardo Setubal, Itautech-Philco's Investor Relations Director.

First Mr. Henri Penchas will be commenting on 2004 results and then afterwards, Management will be available for a Question and Answer session. It is now my pleasure to turn the call over to him. Mr. Penchas you may now begin, sir.

**Mr. Henri Penchas:** Good morning. It's a pleasure to be again with you in this conference call to discuss the results of the year of 2004 of Itaúsa.

Let's begin the presentation, slide #3, you can see the very high liquidity of Itaúsa, and that liquidity increased from 2003 to 2004, at the level of 1.87.

Slide number 4 the debt index of the company; very, very small debt in comparison to the assets.

Slide number 5 own resources and third-party resources, 94% of the liabilities and just 6% of third-party resources, and, as you can see in this slide, from the other liabilities, the dividends represent almost 90, 95% of that amount.

Slide number 6, the evolution of the net income of the conglomerate, you can see a compound annual growth of 27% recurring and the total, considering the full amortization of all the goodwills of acquired companies by Banco Itaú, mainly, in this period, 21.2% as a compound annual growth rate.

Page 7, just to show and to remind that Itaúsa pays as dividend, all the interest on capital, more than the amount received directly and indirectly, of Banco Itaú. In the year of 2004, we received R\$ 548 million and we are paying R\$ 592 million and the compound annual growth rate of 20.3% of the dividends and interests on capital, paid by Itaúsa.

Slide number 8, just to show the total dividends of R\$ 592 million in the year of 2004 and the capital increase that we will have now, in June, of R\$ 103 million and the net amount, for the shareholders that will not subscribe the new capital increase, of R\$ 489 million. As you can see, the compound annual growth rate of the dividends net of capital increase is very, very high; in these five years, 34.8% and from 2003 to 2004, an increase of 35% of the net amount.

Slide number 9, a comparison of the dividend yield of Itaúsa; the total dividend yield excluding the capital increase, in comparison with the dividend yield of Banco Itaú Holding Financeira. As you can see, for the year 2004, the dividend yield of 4.22% for Banco Itaú and 6.35% (or 5.42% excluding the capital increase), for Itaúsa.

Slide number 11, I would like to point the financial area in the year of 2004, the equity represented 93.5% and the industrial area represented 6.5%, with a big increase in comparison with the year of 2003, where the industrial area represented 4%.

Slide number 12, some financial highlights of the financial area and the industrial area split by Duratex, Itautec and Elekeiroz, and you can see the better performance in the year 2004 in comparison with 2003. Again I would like to show the increase in net income, internal fundraising and return on equity of the industrial area in 2004, in comparison with 2003.

I would like now to ask Mr. Silvio to continue the presentation and to present the main numbers of Banco Itaú Holding Financeira. Silvio, please.

**Mr. Silvio de Carvalho:** Thank you, Henri. Good morning for the people in the US and good afternoon for the people in Europe.

Going to the slide 13, I would like to call the attention for the impact in the result of the bank for 2004; it was R\$ 3.8 billion, the highest result in the bank industry in Brazil for this year and for all these years that we had, in figures.

This result, it's important to talk about that, we are considering that the ROE of 2004 it was 27%, even considering the amortization of the goodwill; the operations that we made with CBD, we created a JV (joint-venture) and we amortized R\$ 381 million in the third quarter and we made an increase in the stake with Credicard operation in Brazil and we amortized R\$ 721 million before tax and we acquired the total shares of Orbital; increasing our stake from 33% to 100% and we amortized R\$ 233 million in the fourth quarter. We amortized also the operation that we acquired from Banco Intercep that affected the fourth quarter results in R\$ 60 million.

The overall goodwill that we amortized during 2004, after tax, was R\$ 1,274 billion. This ROE above 27%, that I mentioned, in the year, is, after this acquisition, perfectly in line with the other periods that we can analyze.

Other important highlights that I would tell you, it was the EPS that grew in 2004, 20.5% in relation to 2003, considering the bottom line of the bank.

Other important figures is the capitalization of the bank, that continues very high, today is, in December 2004, it was 20.6%; that shows us that Itaú is prepared to support the goals of the Brazilian economy and if you consider that the economy continues in the same track, we are prepared to support the credit operations with this capital base.

Finally, in terms of the results of 2004, I would like to comment the continual improvement in our efficiency ratio that is now in 52.4%, an improvement year-by-year, and this figure was calculated in the international base.

Going to the slide 14, the message that I would like to mention for 2005 in Banco Itaú Holding Financeira is that we continue to focus in increasing credit portfolio, basically to individuals and SME (small and medium enterprises). We are also in the consolidation of the initiatives related to the consumer credit. The Taif operation, that greenfield operation that we started last June; the JV operation with CBD and the acquisition that we acquired, the same operation that we made with CBD and it's happening in 2005 and the increase in our stake in Credicard.

Other important is that we continue to focus in strong cost control; we intend to maintain the cost constant in real terms in 2005, which permit us to move to continual improvement in our efficiency ratio, consider the same basis in terms of transaction, in terms of operation that we had in 2004.

Important to tell you that our intention is to create a disclosure about a new segment; we intend to start this disclosure in this next quarter, so all the transactions of these operations that we acquired and we developed in 2004 and continue in 2005, in relation to the consumer credit. Our intention is to show the performance of all the operations related with this consumer credit.

I would like to transfer to my colleague, Alvaro Penteado de Castro that will talk about Duratex.

**Mr. Álvaro Penteado de Castro:** Thank you, Silvio, good morning all. I will start commenting the Capex of Duratex, which from 2004 to 2003 reduced by almost 20%, to R\$ 136 million. For 2005 and 6 we will reduce further this investment to something around R\$ 70/60 million.

I will highlight the investments of 2004 being the installation of a new kiln in the vitro china area, which increased capacity by 30% and is very important due to the strategy of increase exports, mainly to Europe and US, of this type of products. We also installed a new low pressure coating line in the wood division to aggregate more value to the panels we fabricate. We also bought new timberland, 4,100 hectares of land to adapt to the new capacity that we implemented in the past, given these investments.

Regarding the capacities itself, from 2003 and 2004 the only area that we grew was in vitro china that I commented before. Regarding the use of this installed capacity we still have room to grow if Brazil keeps showing this inertia of GDP growth. So as you can see, in hardboard, we occupy 86% of the capacity during the year of 2004; 71% of

particleboard capacity; about 70% of MDF, HDF and SDF and also we have more than 25% capacity to occupy in metal fittings, and about the same thing for vitro china.

Following in slide 16, I will comment the performance of the company during the year of 2004, which showed great improvement in terms of performance, given the availability of credit in the internal market and the recovery of the domestic market for products such as consuming goods. In that matter the wood division played a more important role, where shipments grew by 16% and that, given the difficulties in real estate industry, conjectural difficulties, shipments grew by only 3%. However, given a better price scenario, sales improved by, or increased by, 20%, having the wood division increased by 23%.

Exports improved by 23% and I would highlight two important projects, which are the exports of furniture under the Inter D+ brand and vitro china to US and Europe, as I mentioned before.

Regarding the operational performance measured by Ebitda, Deca increased by 19% to R\$ 60 million given especially a better price in scenario and in the wood division, the Ebitda grew by 44% to R\$ 250 million, given more volumes and pricing.

The bottom line, the net income increase, are almost doubled to R\$ 125 million, and the market value also increased considerably beating the most important market indexes, such as the Ibovespa and the IBX 100, to R\$ 1.5 billion.

Stockholders' equity topped R\$ 1 billion. As a guideline for 2005, we will reduce the Capex as I mentioned before, we have the availability of industrial capacity to occupy, still, and the self-sufficiency in wood supply is very important for us, given the scarce of timberland to local producers.

In Deca we also improve the capacity, since we are implementing a number of cost reduction measures to increase its operation and results in the year of 2005.

I now will turn to Mr. Ricardo Setubal to present Itaotec's performance. Thank you.

**Mr. Ricardo Setubal:** Hello. Now we are going to talk about Itaotec Philco, slide #17. I give some, we are going to talk about operation highlights; concerning about installed capacity, we were able to produce in automation line, 24 thousand units; in PC and servers, we were able to produce 223 thousand units; in consumer products, we were able to produce 1.42 million units; in memory models, we were able to produce 783 thousand units.

In what refers to use capacity, we have increased from, in automation, we produced, sorry, 37% to 52% in automation; in PCs and servers, we have increased from 52% to 54% and consumer products we have increased from 66% to 80% and memory models we have increased from 73% to 95%.

In the slide 18, we are going to talk about financial highlights and talking about gross revenue, in solution and automation we have grown 14.6% and we have achieved R\$ 338 million. In computer products, we have increased 70% and we achieved R\$ 400 million. In consumer products, we have increased 28% and we have achieved R\$ 550 million. And in components and service, we have grown 20% and we have achieved

almost R\$ 250 million, and components we have increased 55% and we have achieved R\$ 200 million. Our total revenue is about R\$ 1.760 billion; we have increased 21%. As to gross margin we increased 1.4 basis points and we have achieved 23%.

Concerning Ebitda, we have increased 18% and we have achieved R\$ 114 million. In what refers to net earnings, we have increased 160% and we have achieved R\$ 22 million. Talking about stockholders' equity, we have increased 4.4% and we have achieved R\$ 327 million. As to market value, we have increased 42% and we have achieved R\$ 859 million.

Now I will pass to Reynaldo Rubbi to talk about Elekeiroz.

**Mr. Reynaldo Rubbi:** Good morning. I would like to say that the performance of Elekeiroz was in line with the internal chemical industry in Brazil, which by itself was in line with the international petrochemical industry in the world.

In Brazil, we have an increase of 7.2% of internal sales of petrochemical goods, and we also increased our imports by 9.1% in order to fulfill the necessities of the market.

Elekeiroz had a small reduction on its turnover, reducing from 507 thousand tons per year to 585 tons per year and this reduction was only due to the period of the maintenance that we face each two years on the sulphuric acid unit. We lost in this maintenance unit; we lost 30 thousand tons of products of sulphuric acid so that's why we have a reduction of 4.3% on the total turnover.

You can see that the national market, the turnovers were 7.7 higher and our exports had a slight reduction due to the exchange rate of reais and US dollars. The operating rate was in line with 2003 and was in the range of 84%, which is a very high standard for this kind of industry.

Our gross revenues, in slide 20, our sales, was increased by 36%, reaching almost R\$ 890 million and our operating income almost doubled reaching R\$ 93 million, the same applied in our final net income, reaching the R\$ 70.8 million. Our Ebitda had an increase of 49% reaching R\$ 125.7 million and the relation of the Ebitda to the net sales reached 17.9%, which is a very common standard on the petrochemical industry. The return on equity reached 24.7%, which is a very good return on investment for this kind of industry. Our market value on December 31<sup>st</sup>, was R\$ 630 million and on March 4, it reached R\$ 1.2 billion.

Thank you very much. I will return to Mr. Henri Penchas to finalize this Presentation.

**Mr. Henri Penchas:** Slide 22, the evolution of the net income of the parent company and the conglomerates; as we can see the parent company net income is the dark blue color, with a compound annual growth rate of 22.8% and that after the full amortization of the goodwills year-by-year of the acquired company.

Slide 23, the evolution of stockholders' equity and net income since 95, you can see the impressive growth of the stockholders' equity, for instance, of the parent company, from R\$ 2.3 billion in 95 to R\$ 8.8 billion almost R\$ 8.9 billion in 2004 and that, after the payment of dividends of R\$ 2.7 billion and with a very small capital increases during the

period of only R\$ 800 million. You can see also the same evolution, a very, very strong evolution in the net income of the parent company, during this period.

Slide 25, we achieved for the second consecutive time, the Dow Jones Sustainability World Index, due to our corporate sustainability to the creation of shareholder value in the long term, the quality of our management and our social, cultural and environmental commitment.

Slide 26, something that I always like to speak and to discuss, is the dissemination of our organizational culture; all our publicly traded companies granted a tag-along to the preferred shares; we have investor relations website and we have a very, very up-to-date disclosure policy.

Pointing to Banco Itaú Holding Financeira, the main things that happened in 2004, for the first, fifth consecutive time Banco Itaú achieved the Dow Jones Sustainability World Index; the Banco Itaú created the audit committee following international standards, mainly the security exchange commission; Banco Itaú achieved the best Investor Relations in Financial Institution – the buy-side or by the sell side of the institutional investor and we got, for the second time the seal of open company of Animec.

Duratex, during 2004, had an impressive progress in governance and extinguished the beneficiary parts that exceeded the market expectations; the Board approved their adherence to Bovespa's corporate governance level 1 and the minimum dividend was raised from 25 to 30% of the net income.

Itautec-Philco has 100% of the stock in common shares and Elekeiroz reduced the four different classes of preferred shares to just one class.

Page 27, slide 27, we can see the growth of the liquidity of the share in the number of trades as the financial volume traded during the year of 2004.

Slide 28, the discount in the appraised price of Itaúsa as of March 4, 2005, the discount is still at the level of 40.7%, in comparison with the sum of the parts and that, not including, obviously, the control premium. So the discount is still very, very high for the shares of Itaúsa.

Slide 29, just a history of the evolution of the discount; Slide 30, there showing that the discount, a long time ago, was much smaller than the actual discount.

And to finalize this presentation, the evolution of US\$ 100 invested in the shares of Itaúsa, in 10 years, 5 years, and 2004. And you can see the very strong evolution of Itaúsa, in Dollars, in the period. For instance, in 10 years, the shares of Itaúsa appreciated, Dollar+17.62%, against the Brazilian stock market at the index Ibovespa that increased just Dollar+ 6.75%, and the shares of Itaúsa increased Dollar+18%. The year of 2004, the shares of Itaúsa increased Dollar+55% and the shares of Banco Itaú Dollar+51.32%.

I finish with that slide in my presentation and I, personally, and with my partners here, we are just waiting now for an eventual question that you may have about the presentation. Thank you.

**Q&A Session**

**Operator:** Thank you, ladies and gentlemen. We will now begin the Question and Answer session. If you have a question, please press the star (\*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, please press star-two. Again, to ask a question, please press star followed by one.

**Operator:** Our first question comes from Jason Mollin of Bear Stearns.

**Mr. Jason Mollin:** Hello everyone. My question is specifically related to Elekeiroz and some comments in the market that perhaps we could see a capital raising exercise in the future. Could you give us some commentary if that's accurate and if that would take place at what level – or, if it is going to take place, how it would in the timing of that?

**Mr. Henri Penchas:** Good morning Jason – if I understood your question, is specific for Elekeiroz, no?

**Mr. Jason Mollin:** Correct.

**Mr. Henri Penchas:** and for the investments that some newspaper commented. I will just ask Reynaldo to answer your question.

**Mr. Reynaldo Rubbi:** OK, Jason, the answer is quite simple. We are studying with Petrobras and with Dow Chemical, a major investment in acrylic acid and acrylic casters and super absorbent polymers and this feasibility study will be finished by the end of June or July. After this study is finished, probably we will discuss in Itaúsa the opportunity of entering this project and if we enter we will need to go to the market in order to get some additional capital in order to face the investments which will be in the range of US\$ 306 million, OK? Did I answer your question?

**Mr. Jason Mollin:** You did, thank you very much. Maybe as a follow-up question, Henri, are there any other plans for capital raising either at the Itaúsa level or anywhere else?

**Mr. Henri Penchas:** No Jason, we will raise just the capital of Itaúsa as it was announced with a very small amount of around US\$ 100 million, nothing else than that.

**Mr. Jason Mollin:** OK, thank you.

**Operator:** Ladies and gentlemen, as a reminder, if you would like to pose a question, please press the star (\*) key followed by the one (1) key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star (\*) two (2).

**Operator:** Again if you'd like to ask a question, please press the star (\*) key followed by one (1).

**Operator:** We have a question from Juan Partida from Bear Stearns.

**Mr. Juan Partida:** Hi, good morning. My question is related to a potential capital increase like you had for Itaúsa in the previous year. Are you planning a similar exercise in 2005?

**Mr. Henri Penchas:** As we announced already after the board meeting of March 7, we will raise the capital of Itaúsa around R\$ 100 million. That will be proposed in the General Shareholders Meeting that will be held in April for the capital increase to occur in June.

**Mr. Juan Partida:** Very well. Thank you.

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

At this time I show no further questions. This concludes today's question and answer session. Mr. Penchas, at this time you may proceed with your closing statements.

**Mr. Henri Penchas:** I would like to thank you for being with us at this conference call and please, if you have any other question or comment, please contact us and we will be happy to answer your questions. Thank you.

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