



**International Conference Call
Itaúsa S.A.
2020 First Semester Earnings Results
August 11th, 2020**

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to ITAÚSA's conference call to discuss first half of 2020 results.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

Should you require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded. The file will be available at the Company's website at www.itausa.com.br/en, at the Investor Relations section. During the conference call you can send questions that will be answered after the presentation.

This conference call and a slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.itausa.com.br/en.

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

I inform that during the presentation the questions can be sent by webcast and it will be answered in the question and answer session.

With us today we have:

- Mr. Alfredo Egydio Setubal - CEO and Investor Relations Officer at Itaúsa;
- Mr. Henri Penchas – Chairman of the Board of Director at Itaúsa;
- Mrs. Priscila Grecco Toledo – CFO at Itaúsa;
- Mr. Bruno Salem Brasil - Investor Relations Manager at Itaúsa;
- Mr. Renato Lulia Jacob – Head of RI and Market Intelligence at Itaú Unibanco;
- Mr. Carlos Biehl –Investor Relations Manager at Alpargatas;
- Mrs. Natasha Utescher – Investor Relations Coordinator at Duratex.

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

ITAÚSA

Ladies and gentlemen, please, hold.

Ladies and gentlemen, please, hold.

Mr. Alfredo, you may proceed now.

Mr. Alfredo Setubal: Yes, okay, thank you. Hello? Is everybody listening?

I will start...

Operator: Yes, you can proceed.

Mr. Alfredo, you may proceed now.

Mr. Alfredo Setubal: Hello?

Operator: Yes, we can hear you. You may begin.

Mr. Alfredo Setubal: Hello?

Operator: Mr. Alfredo, you may proceed.

Mr. Alfredo Setubal: Okay, I am restarting, please. Thank you.

Sorry for the connection problem, we are starting from our conference call for the first semester results for Itaúsa.

That's our agenda for today: We will pass through quickly from the slides and then we open for Q&A session.

Going to the next slide, please, we are on slide number 4 about COVID actions and reactions in our operations for our companies. Of course, all the companies suffered, especially at the beginning of the crisis, sanitary and social economic here in Brazil. The Central Bank approved some measures to facilitate the banks for renegotiations of credit, we did millions of renegotiations for individuals and small and medium companies, but especially small ones. So we are passing this moment with a lot of... millions of renegotiations in credits for individuals and companies. Let's see what will happen when these renegotiations stop and we have to go back to the normality of the situation.

But at the same time, we had an increase in loans in the portfolio, especially at the beginning, especially for big companies that used the credit lines to increase cash to face the pandemic, and medium size companies also.

The bank in the first semester made additional provisions for about R\$ 9 billion in terms of credit, above the minimum required for the Central Bank in the policy of expected provisions policy that we have in terms of loan losses. Let's see how the

economy and how the credits perform in the next quarters to see how much is more necessary to complement this level of provisions.

As you know, the Central Bank imposed restrictions for the distribution of dividends and interest over capital, so we have a limitation in our statutory bylaws, so we (the bank) can only distribute this year 25% of the results as dividends or interest in capital. That of course will impact the inflow of Itaúsa in terms of dividends that we are going to receive.

Alpargatas also had problems at the beginning with a huge reduction in production, so adjusted the production in the beginning, we have also term extension for clients, we made provision for losses from the company in terms of our clients, especially in terms of distributors. And to face all this factors at the beginning, we raised the R\$ 2.1 billion in cash from the bank using the disposable lines that the company has in the banks.

Today the situation is much better, the company increased productions in May, in June and also in July, we are operating at full capacity now back due to the better conditions in the local market and also because exports they are in very good pace, especially for Havaianas. So I think that in the case of Alpargatas, most of the problems are gone and we are going back to normal activity in this third quarter.

In the case of Duratex, also we have a huge impact at the beginning. We practically closed all the factories in the end of March/beginning of April, we also had to renegotiate [unintelligible - audio cut] time for extension for the clients in our supply chain, but we also made provisions around R\$ 25 billion for the possible losses, and the company also increased the liquidity at the beginning in R\$ 1.6 billion to face the crisis.

Also, Duratex restarts the production back in the middle of April, all the chain of the distribution of Duratex products remained open during all the period, all the material companies remained open...

[Someone is with the microphone open, please, shut down, please]

... so Duratex increased the production in April, in May, in June and July, we operated full in July, probably full for this quarter. So, in the case of Duratex and Alpargatas, I think most of the problems are gone and we are back to normal activity for the moment.

For this good news, probably both of the companies are reducing the loans that they raised to face the pandemic crisis for the situation today is much better than we were expecting during the first days, the first weeks of the economic situation, the economic crisis in the beginning.

NTS we had also to grant a temporary deferral for Petrobras, but it is returning to normal pace now, and we also postponed some investments that we were doing during this period.

We can move to the next slide, where we can see how the companies that we participate and how Itaúsa itself made support for the crisis.

Itaú opened a line to our foundation for cultural and social benefits for the Brazilian society in R\$ 1 billion, in a new line, in a donation for the foundation. We also received more R\$ 250 million from donations from other companies, individuals, and especially from the Moreira Salles family (that is the family that with Itaúsa controls the bank). So it is only through the bank R\$ 1.350 billion in donation for supports, especially hospitals, public hospitals in the combat of the COVID-19.

Duratex also made donations, also for the Itaú bank foundation, and products from our line of products, especially for the new hospitals that were made to support the public service during this period.

Alpargatas also made donations of 16.5 million including also a donation for the Itaú foundation of R\$ 5 million, and many products, masks and uniforms for hospital attendants and serological tests, respirators, shoes for medicals, plastic shoes, so we adapted our factories to support the support that we gave for the public hospitals.

NTS also, R\$ 4.1 million in donations and equipment for the hospitals. Itaúsa itself donated R\$ 50 million for the project *Todos Pela Saúde* (that is the initiative of the foundation of the bank), and also these 2 families (Setubal and Vilela) also made donations of R\$ 50 million for the foundation of Itaú Unibanco.

So, I think all the companies and all the families are helping the country and the public health system to support the pandemic that in Brazil is taking a long time in terms of decline of this considering the first paces.

Going to the next slide, we are going to see now more things related to our governance. In ESG practices, we all know that Itaúsa and all the companies that we participate are very concerned about the ESG practices. In this quarter, Itaúsa released again the 19 integrated report, where you can find detail of our strategy, the way we took decisions, how we analyze M&A's, how we do everything from the companies, all the commissions and committees that support the administration of the company. It is a very complete and transparent report that we released this year for the second time.

Itaúsa joined now the FTSE4Good, that is an index from the Financial Times for companies that demonstrate outstanding ESG practices. For us we are very proud to be part of this index also, among others that we participate, like the Dow Jones Sustainability Index, the ISE at B3. So I think this also confirms the good practices that we have related to ESG and our shareholders and actuation also in all the fields that we are involved in Brazil.

We created a commission for corporate governance. Of course, we did many things through these last years, but we decided to have a special focus and a special commission to work in all the policies and practices that we have and approves our

Board of Directors, so we now have a formal commission to analyze all the governance proposals for the company and to keep it updated to the best practices that we see in Brazil and outside Brazil also.

We are going now to the next slide, where we will pass through one slide per company. All the companies showed already their results and made their own conference calls, so here is just a glance in the results.

In the case of the bank, we put in highlight the loan portfolio that grew 20% in the period, also related to medium and small-sized companies, and as I said, in the beginning of the crisis with large companies requiring huge amount of lines that were preapproved for them to face the pandemic.

We have been very strict and we continue to be with expenses of the bank, so we have a decrease in nominal terms, and we increased the expected losses in 120% as I said at the beginning of the explanation, but we have been very cautious in terms of new loans. Of course, we are providing new loans for millions of clients, but we want to see how really the economy will perform in the coming quarters. So we have been very concerned and conservative in terms of providing new loans to the clients because there are a lot of uncertainties related to the economy, unemployment, how the economy will really perform after the support that the government is giving for the families. So many uncertainties related to the economy, so we have been cautious in this period to see how things will go in terms of economy.

We continue to operate the bank, we took advantage of this new scenario for the economy, so we increased our digital operation, we increased 1 million new accounts for the bank opened through our app in the first half of 20, so it's a good performance. We had 22,9 million of digital customers now, we had an increase of 17% when compare one year ago, so clients are using more the digital channels that we provide for them. So we are happy to see the possibility to continue to reduce costs and increase the digital transformation of the company.

We continue to provide credits; we opened new lines, as I said, in a more conservative approach, but we provide credit from the new lines also that the government provide for the banks, for payroll and etc.

Anyway, the results reduced. Here we have seen the numbers a little different from the numbers that the bank showed in their announcement because here we are seeing the numbers IFRS, so we have a difference when we compare to the bank numbers released last week because the bank continues to use the Central Bank regulations for accountings.

So we have a reduction in the recurring net income of 41.7% in the bank, R\$ 3.8 billion, also of course a reduction in the ROE, from 22 to 12 almost. In the loan portfolio, as I said, increased in the period.

Going to the next slide, slide number 9, we can see highlights from Alparagatas. Alparagatas increased almost double, 92% growth in online sales for the first half in all

regions, so minimize the effects of the store closures in the period. But anyway, we have recurring EBITDA that reduced 42.7%.

Anyway, it was a good result, much better than we expected when the crisis started, most of the [inaudible - audio cut] that we used to sell products of Alpargatas, especially supermarkets, remained opened, so we could operate the company in a lower level, but in a reasonable level during the period, and these were growing from May, June, July, so we are now almost normal in terms of production.

So the online was a big highlight for the company, that increased dramatically in all the channels that we operate in terms of digital. We continue to manage the capital, we definitely really [unintelligible – audio cut] the investments in Argentina, so it was a bad investment; when we bought the company, we took some years to close, but we finally closed and sold all the operations that we had there; we sold the factories, we sold [inaudible – audio cut], and now we are in Argentina only selling Havaianas products, what is good because there was a loss of capital, we had bad results in Argentina for many, many years.

Net income reduced, recurring net income, 63%. We showed R\$ 25 million now. Of course, also the ROE reduced to 6.6, and EBITDA also reduced. But its business for the first half and this quarter we expect a much better result, almost a normal result for Alpargatas considering the trend that we see in June and also in July.

Now we are going to see Duratex on slide number 10. Duratex also suffered at the beginning of the crisis, we almost stopped all the factories of the company in the end of March and beginning of April, but since then we started reopening the operations and all the factories are now operating since June in a very good level, July was very, very good, we are full operation, 24 ... [inaudible – audio cut] ... all the sectors. Remembering that the material constructions network and stores and so on continued to be open all the time [unintelligible - audio interference], a segment that the government didn't ask to close, and the sector with low interest rate and so on, very active.

So we gained market share, we used our financial strength to renegotiate and give more term extension for clients, we gained market share through our strength and brands and also with problems that our competitors had, especially in April and May. So we gained market share in all the lines and all the products that we had.

Our factory that we are building with Lenzing of dissolving pulp continues to be constructed. We don't see delays in the start of the operations, that is in the beginning of March for 2022. It continues to be in line, and we announced how the project will be financed, how is the financial structure for that investment.

Duratex for the first year released their integrate report also with long-term strategy vision, how the company operates, how decisions are made, why we are inspectors. I think it was a very important release for our shareholders and analysts and portfolio managers that follow the company; they found there a very good piece for [inaudible - audio cut].

In terms of results, of course we had bad results because second half of March and first part of April was very bad, but we are recovering. Second quarter was better, third quarter looks to be very, very good for the company. Also the ROE reduced for 3% and EBITDA reduced less than we expected, so Duratex is also (as Alpargatas) provably going to have a good third quarter.

In the case of NTS, we had received and 95 million in earnings from the company in the first half of 20. As I said, we have deferred some revenues from Petrobras. Petrobras started the process of divesting the 10% stake that remains with Petrobras in the portfolio and we are analyzing how we are going to do with this process of divestment of NTS. Of course, the Consortium that bought the company and that we are in this consortium are interested in buying this remaining stake from Petrobras.

NTS acquired Mantiqueira Compression Station in the state of Minas Gerais for R\$ 46 million and we have the reaffirmation from Fitch Ratings of a Triple A rating in Brazil.

Going forward on slide 12, we are going to start talking a little about our own results, Itaúsa results that we released last night. Net income of R\$ 1.6 million, a reduction of 67%. The recurring net income of 2.5 million, a reduction of 46%. ROE recurrent of 9.4 mainly because all the companies had bad results in the period, especially the bank that showed also [unintelligible] and is our main investment in our portfolio. Shareholders' equity of almost R\$ 53 billion and total assets of 53 [trillion – doubtful]. That is mainly the investment that we have in the companies that we had stakes.

Dividend yield in the last 12 months 9.1. Of course, this dividend yield will be reducing in the coming quarters because, as I said, we are going to receive less dividends from our subsidiaries, and we will pass through less dividend for our shareholders this year.

Going ahead, we can see that we continue the practices of paying to our shareholders the same amount of the dividends that we receive from the bank. We have the restriction, as I said, from the Central Bank to pay more dividends than 25%. We are going to continue to pass through the dividends that we received from the bank to our shareholders and keep the dividends from the other companies to pay for the [costs – doubtful] of the holding just to face the costs that we have in terms of the fiscal and administrative expenses to our company.

As I said, we have the dividend yield so we continue to pass through the dividends that we receive from the bank, and we announced a dividend for this month of August that we will pay at the end of the month 0.2 cents per share that is equal what we pay each quarter for our shareholders. So it will be as a new quarter in terms of dividends for our shareholders that they are going to receive this month.

Going ahead, we see the discounts that we have, the discounts of 20.2 compared to the sum of the parts in market value for our portfolio. The discount reduced during July, it's around 16-17% at this moment.

We continue to have a great evolution of the stockholders; we achieved 751,000 shareholders at Itaúsa in June 20, our trade increased to R\$ 226 billion per day and the discounts reduced from 25 to 20 and now it's around 17-16 during the last weeks.

And in the final slide is the performance of the shares. Of course, the performance in recent periods are not so good, especially because our main investment (that is Itaú Unibanco Holding) had a bad performance in terms of results due to the crisis that we all know and we talked a little about the fall in results of the bank.

That's what I had to say, and we are open now to questions and open to question-and-answer session through the web or through the teleconference, as you we show.

Thank you.

Question-and-Answer Session

Operator: Thank you, Mr. Alfredo.

Ladies and gentlemen, we now begin the Q&A session. If you have a question, please press the star key followed by the 1 key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

Please, restrict your questions to 2 at a time.

Our first question comes from Jason Mollin, with Scotia bank.

Mr. Jason Mollin: Hello everyone.

Mr. Alfredo Setubal: Hello, Jason.

Mr. Jason Mollin: Good to hear from you. My question is related to the outlook for tax policy in Brazil, particularly given that the PIS COFINS that you pay on the dividend flows. What are you thinking about... can you hear me? What are you thinking about the future tax regulation changes in Brazil and how that could impact Itaúsa?

Mr. Alfredo Setubal: Okay, thank you for your question, Jason. Nice to hear from you.

Well, we saw during this last week that the government sent to the Congress a law project to change the law in Brazil related to taxes involving especially the PIS COFINS, and ISMS, the ICMS from the states. So it's a total new regulation that has been proposed by the government.

Of course, this will need a lot of negotiations from the government and the Congress, there are (in my opinion) very difficult issues that are proposed by the government that will need huge negotiations with the governors, with mayors and the Congress to

really achieve a negotiation that can be approved. I personally believe that the way the proposal is done we are going to see many changes, especially in the percentage of the new tax that is being proposed of 12%.

It seems by many economists to see things being higher than necessary, so we are going to see what will happen in that case.

For what we see from the new law, it's good for Itaúsa because it will reduce the tax that we pay, and I think part of the reduction of the discount that we had in the last weeks due to the new proposal from the government that will reduce the costs that we have in the holding to support the operations and the taxes that we pay. But we have to see how this will really be approved at the Congress.

In terms of dividends and corporate taxes directly, the government didn't send yet their proposal. So we need to wait and see how the government will propose the change in corporate taxes for the companies. Now the finance minister already confirmed that they will propose reduction in corporate taxes and increase the tax for dividends in the coming years. What I personally understood is that this will be done in the coming years, not immediately. So they will reduce the corporate taxes and they will increase the tax from dividend (that is 0 today) in the coming years in a pace that is not yet known.

So we have to wait, there is not clear answer. But it seems that we are going to have less tax/expenses, and that's what the market is reading, and we agree that this is probably what will happen. Let's see how much this will be really approved by the Congress in the coming months.

Any other question?

Mr. Jason Mollin: Sure. I wanted to talk about maybe you could give us an update on the Liquigás investment. We understand that it's still under review by CADE. What is the status?

Mr. Alfredo Setubal: The status is: The CADE changed the person that was analyzing the case, so we had some backwards because the new person is studying the case. So we were expecting to have the CADE proposal approval as we entered the case in the CADE by October/September, probably this will take more time, probably by the end of the last quarter of this year or beginning of next year.

But we continue to be confident that the proposal the Consortium made to CADE already offers solutions from the concentration in many regions in Brazil, especially in the Northeast. So we are confident that the proposal will be approved essentially as we proposed or with some small restrictions imposed by the CADE.

But unfortunately, the change in the person that is analyzing the case [inaudible - audio temporary mute]... they add some small pills under the proposal that we makes, but we continue to be confident that at the beginning of next year maximum we are going to start the process of integration of the 2 companies.

In terms of financing from Itaúsa, we need R\$ 1.4 billion for that investment, and we are analyzing with banks. Probably the best solution will be issue of debentures to finance this acquisition, around 7 years due for... like the one that we issued for the acquisition of NTS.

So we are expecting probably by the end of the year we have news and we will issue a debenture in the capital market from Itaúsa again in a seven-year period for that.

Mr. Jason Mollin: Thank you very much.

Mr. Alfredo Setubal: Okay, Jason, nice to hear from you. Thank you.

We don't have any questions from the web. I don't know if you have other questions from phone, otherwise we can stop.

Operator: Yes, we don't have any questions. So this concludes today's Q&A session. Mr. Alfredo, at this time you may proceed with your closing statements.

Mr. Alfredo Setubal: Okay. Thank you for the participation on this intermediate conference call that we made. We don't make conference call every quarter because all the companies make (our subsidiaries), so we don't want to be repetitive in terms of information, and at the Holding level we don't change many things from one quarter to the other.

We increased to 30% in the number of attendance this quarter, so we are happy to be here for the foreign investors that follow us [unintelligible - audio interference]... now different from the beginning of the crisis with Alpargatas and Duratex operating in full capacity, so we are going to show a much better result in the third quarter and in the second semester.

The economy overall is performing better than expected, most of the economies are reducing the reduction on GDP for the year, so it's good news. I hope this helps also in terms of the [unintelligible – audio interference], we renegotiate millions of contracts, as you know. And we expect as the economy is performing a little better than expected that we'll have more provisions, that we probably will have to make in the coming quarters will be less than we expected at the beginning of the crisis.

So, I think that the scenario for the industrial sector [inaudible – audio interference] and for the bank also we expect a better scenario, not a good scenario, but a better scenario than we saw at the beginning of the crisis. So inflation continues to be very low, interest rate is in the lower level [unintelligible – audio interference]... how the unemployment will behave in the coming months and quarters to see how we will [unintelligible – audio interference]... and how will perform in the coming months.

But anyway, we see [unintelligible – audio interference] are gone and we are in a better pace for the coming quarters, what will be good for our company.

ITAÚSA

Thank you for your time being with us. Take care, see you in the next conference call.

Operator: That does conclude Itaúsa's conference call for today. Thank you very much for your participation, and you may now disconnect.