



**International Conference Call
Itaúsa – Investimentos Itaú S/A
2019 Earnings Results
February 18th, 2019**

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to ITAÚSA's conference call to discuss 2019 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. Geraldo Soares – Head of Investor Relations at Itaú Unibanco;
- Mr. Guilherme Setubal Souza e Silva – Investor Relations and New Business Manager at Duratex;
- Mr. Carlos Biehl –Investor Relations Manager at Alpargatas.

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

Mr. Alfredo Setubal: Thank you. Thank you for those who are participating in our annual results conference.

First of all, I would like to mention that we changed some of our financial statements; we think it's more modern, more transparent, with more information, relevant information for the shareholders. So for those who want to look at that and also give some suggestions for that improvement that we made in our financial statements, we will be glad to receive and improve it even better for the coming quarters.

Starting our teleconference on page 4, the business environment that we see, we put here what we saw in 2019 – one year ago exactly –, most of that was confirmed by the scenario.

What do we expect for 2020? We expect interest rates to keep inflation low, interest-rate can even reduce a little bit more, let's see how all this corona virus and inflation in Brazil goes on, but there is some room in our view to a little bit more reduction, not in the short-term, but for the medium term;

We think consumption, job and income levels will continue to grow because we expect economy to grow around 2% for this year. It is still low compared to the Brazilian potential, but it's better than in the last 2 or 3 years when the growth was around 1%;

The we expect lower global growth because of the reduction in the growth of China especially, and now we have to see what will happen also with this corona crisis in China, how this will affect the China production and so on. Probably the global economy will suffer some reduction in terms of growth for this year;

We continue to expect capital allocation from local investors to the stock market and to real estate market and to some more hedge funds, so this movement we expect it to continue, what will, of course, affect the capital markets;

We expect the government – the federal and state government – to go on on the privatization and concessions projects for this year, so this will give some opportunities for investments.

What do we see under this 2020 environment, what do we see for our companies that we have investments? In the case of the bank, we see the loan portfolio growth, we continue to expect the growth for the portfolio, especially in individuals and middle markets. Big companies will continue, in our view, to use the capital markets locally and internationally.

We see the mutual funds industry, equity and hedge funds growing, we see the companies using more the capital markets for issuing debt and equity, so the investment banking will continue to grow in terms of revenues. So we think for the wholesale products for the bank will get the benefit because we are very well-positioned in terms of asset management, investment banking and private banking also.

In the case of consumer goods, we continue to expect growth because we see the total income growing because of the reduction in unemployment. This probably will benefit the local markets for Havaianas here in Brazil.

We see civil construction, especially residential and commercial buildings, going on, not only in the São Paulo state, but going on to other states also in Brazil. We are already seeing that happening in the case of Deca products, in the case of Duratex. And we expect the new gas legislation that can offer some new opportunities to NTS, that is the company that we have a participation of distribution of natural gas.

Going on, on page 5 we see the results of the allocation of capital that we did in the last 2 and a half years. NTS that we made equity investments of R\$926 million we made the calculation for these financial statements of the fourth quarter and the fair value of the equity is 1.2 billion, so we have a gain in that investment. And also, we received in this period almost R\$600 million in earnings, in dividends and interest over capital. So these investments have been very good and very accretive for Itaúsa.

In the case of Alparagatas, we bought that by the end of last quarter of 2017, and using the metric of the share value in the stock market, the Alparagatas shares almost doubled the total return of the IBovespa index, so also a very good investment for Itaúsa.

The by the end of the year we announced our new investment; an investment in Copagaz. Copagaz is one of the players of GLP distribution here in Brazil. We were the winner, our Consortium Copagaz Itaúsa and National Gas were the winners of the privatization of this company from Petrobras in November last year. We are now waiting for the antitrust authorities that are already analyzing this deal.

Itaúsa will invest R\$1.4 billion in the capital of Copagaz that we will use that money to pay Petrobras for the stake that Copagaz will remain in Liquigás, and also Itaúsa will increase the corporate governance of Copagaz, that easy family-owned company, then we have to improve a lot to put in the better standards that all the companies that Itaúsa has in their investments.

Going to page 8, some highlights of the companies that compound our portfolio. First one is the bank. We saw the loan portfolio growing 10.8% with a very good performance, especially in middle markets, where our portfolio grew by 25%, and also in the segment of individuals, where we grew 13%.

Commission from investment banking and fees in general, insurance operations were up 7%. Investment bank, the wholesale bank in general was the main sector that this growth appeared, especially related to asset management, private banking and investment banking fees for debt and equity issues.

We improved our efficiency ratio by 2.5 points, we achieved by the end of the year 45.5% and we will continue to improve this efficiency ratio in the coming years that is

very important to face the new competition, the new environment of competition here in Brazil.

We continue to invest a lot in the digital transformation of the company with high investments in products and systems and apps and so on. And also in the evolution of the customer experience, and we improved our NPS by 900 basis points in the last 16 months showing that the customers are reacting to our new position in terms of products and experience provided through that.

With all that, the net income increased 5% last year and the ROE, recurrent ROE, almost 21%.

Going to page 9, talking a little bit about Alpargatas, I think Alpargatas grew almost 10% the revenues mainly driven by the volume of Havaianas in Brazil and also internationally. We continue to move the company on, we changed the management last year, Roberto Furnari was elected the new CEO and started on 1st January of 2019 and is doing quite a good job improving the company and changing the management, the strategy, people, culture and we are getting the benefit from that.

We are also doing a lot of investments in the digital, Alpargatas is very behind, in our view, in terms of e-commerce and user experience, so we are investing a lot since last year and in the coming years to really reduce the gap that we have here, especially in e-commerce not only in Brazil, but also internationally in the markets that we want to be, like China, Indonesia, India. We think the e-commerce will be the main channel to improve sales in these countries.

We continue to keep our eyes in the capital management, we sold all the textile operation of Alpargatas in Argentina, and also sold all the assets related to the Topper (that is sports shoes) in Argentina also. So we are going on in the strategy that focuses the company, especially in Havaianas brand, not only in flip-flops, but also in accessories and clothes and things like that.

With all that, the net income increased almost 30% last year, recurrent ROE 30.5 and the EBITDA also increased by 18%, reaching r\$620 million. So the company is showing good trend in terms of results and cash generation.

On page 10, we have the highlights for Duratex. Duratex EBITDA went up 7%, we saw a very good improvement in terms of efficiency operations, also the acquisition of Cecrisa, and the Deca division outperformance, especially in the last quarter of 2019, and we expect Deca also to have a good year in 2020.

We reduced a lot our financial leverage because of the strong cash generation, recurrent and through the sales of farms and forests that we did last year. We acquired Cecrisa, that is the Portinari brand with that and Ceusa, we are very well-positioned in the high-end ceramic tiles markets, that is where we want to be, we don't want to go down in the channel to lower-value products, so with these 2 acquisitions in the last 2 years we think we are very well-positioned.

We finished the investment in the second line of Ceusa and we used this second line as the most digital line of ceramics in Brazil to also produce Portinari products. So this line will be probably full in this year and next year in terms of capacity for the high-income products that we want to sell.

We finished the total approval of the new JV with Lenzing related to the pulp investments that we are making. The total investment projected is in R\$5.2 billion and we already started the construction of this factory in the state of Minas Gerais.

And also, we continue to rationalize our investments in terms of farms and forests, and we sold the excess that we had in the state of São Paulo because we are not planning any panel investments in the future. So we decided to sell and use this money to generate cash for acquisition of Cocrisa, pay dividends and rationalize our assets.

Duratex increased, still with lower results, we expect every coming years to improve more, we still have recurrent ROE much lower than we expected, but we are very confident with all these measures that we are taking, a new business, this ROE will increase in the coming years. We finished with 5.8% last year, and the recurring EBITDA increased by 7%, achieving R\$900 million.

On page 11, NTS, the gas distribution. Revenues increased 9%, the company continues to overperform the projections that we did when we made these investments. Revenues increased by almost 15% last year and we received R\$211 million in terms of dividends and interest on capital, an increase of 9% over 2018.

Going to page 13, we see some numbers that we released. The net income increased by 9.3%, achieving R\$10.3 billion; recurrent net income 9.7, an increase of 3.6; ROE of 19.4; total assets R\$58 billion on the holding; stockholders' equity R\$55 billion; and a market value of R\$118 billion. The payout for this year, the dividend yield was 8.5%.

On page 14, we can see all the dividends, interest on capital that we paid. We continue distributing all the dividends that we receive from the bank and use the non-financial sector dividends, interest on capital to pay the accounts that we have as a holding company, especially excess – you know that we have not the best the structure in terms of fiscal... as a holding, we pay more taxes on interest on capital –, so we use the dividends from Duratex, NTS and Alparagatas to serve the expenses that we have at the holding level, that is around R\$400 million per year.

In the last 2 years we are able to do that, we expect this year also to pay out the expenses and taxes using the non-financial sector dividends, so probably this year we are going to continue to distribute the whole dividends that we receive from the bank, and we don't see any necessity for capital increase for this year of 2020 because we have a cash position of more than R\$1 billion.

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On page 15 we see the market value of Itaúsa portfolio. The total is R\$145.7 billion and the market value of Itaúsa 118. That means that the holding has a discount in the market of almost 19% by the end of the year.

Our daily traded volume in IBovespa and B3 increased 24% and achieved R\$282 million per day; that is a good liquidity for the share, and we ended 2019 with 364 individuals in the base of shareholders of the company.

And the last slide, on page 16, is the return of the company in the last 10 years, 5 years and 12 months compared to the interbank, to the IBovespa index in US dollars, and in long-term we have been showing a good performance for the shareholders.

That is our presentation and now we are open for questions that we'll probably have for the management and for all the people that are here at this conference today.

Question-and-Answer 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 1 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 Adriana de Lozdada, Scotia bank.

Ms. Lozdada: Hi everybody, and congratulations on your results. I would like to ask you if you can give us an update on your M&A outlook. I know you said in a previous call that you have several NDAs signed and a big pipeline of offers. So if you can give us some details about that industry that you're looking into that would be great.

And then a second question would be on your outlook of dividend payout. If you can give us a range and what you see there as well. Thank you.

Mr. Setubal: Thank you, Adriana. The M&A outlook we just announced this investment on Copagaz, we are expecting the antitrust authorities during this first semester to approve that investment so we will start to work with Copagaz in this new investment, and we are very confident that it will be very accretive, also like NTS and Alpargatas that we did in the other years.

In terms of new investments, we continue to analyze what are being offered to us by the investment banks, private equity companies and so on. We have many NDAs signed, but we, at this moment, we don't have anything really advanced in terms of studies for new investments.

We want to see the changes in the natural gas law in the regulation of the... I don't remember the word... sanitation laws that will change, we want to follow the concessions and privatizations. So, we are very cautious because we have limited

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capital to use in these investments in the coming years, so we have to analyze very well and deeply the opportunities that we have to see if it makes sense or not to make a new investment.

For the moment, we have nothing real, concrete in the pipeline for the coming quarters.

In terms of payout, the payout of this year reduced because the bank reduced the payouts in the bank because the bank will need more capital this year according to our guidance in terms of credit growth. So the bank distributed less than last year in terms of payout, and by consequence Itaúsa also distributed less than the previous year.

It's difficult to say how much capital the bank will generate and need for this year and need for 2021, but anyway, we will continue through the practice of distributing the whole dividend and interest on capital that we receive from the bank to the shareholders.

But today, it's very difficult to say what will be the payout of the bank because it will depend a lot on the needs for growth of the bank in the coming years, especially in the next year.

Ms. Lozdada: Got it, thank you very much.

Operator: This concludes today's question-and-answer session. Mr. Alfredo, at this time you may proceed with your closing statements.

Mr. Setubal: Thank you for those who participated with us. I think we released a good result for the year, all the companies we think are performing very well. The bank, of course, had their challenges, but I think we are facing them and improving in efficiency and improving in digital products and competing with the Fintechs and so on, and Duratex and Alpargatas also improving results, improving revenues.

So we think the results are very good and all the investments that we made have been very accretive and, as I said, we expect Copagaz also to be very accretive for our shareholders.

Thank you for your time and we will be back in the middle of the year with the results of the second quarter. Thank you.

Operator: That does conclude our Itaúsa's 2019 results conference call for today. Thank you very much for your participation. You may now disconnect your line.