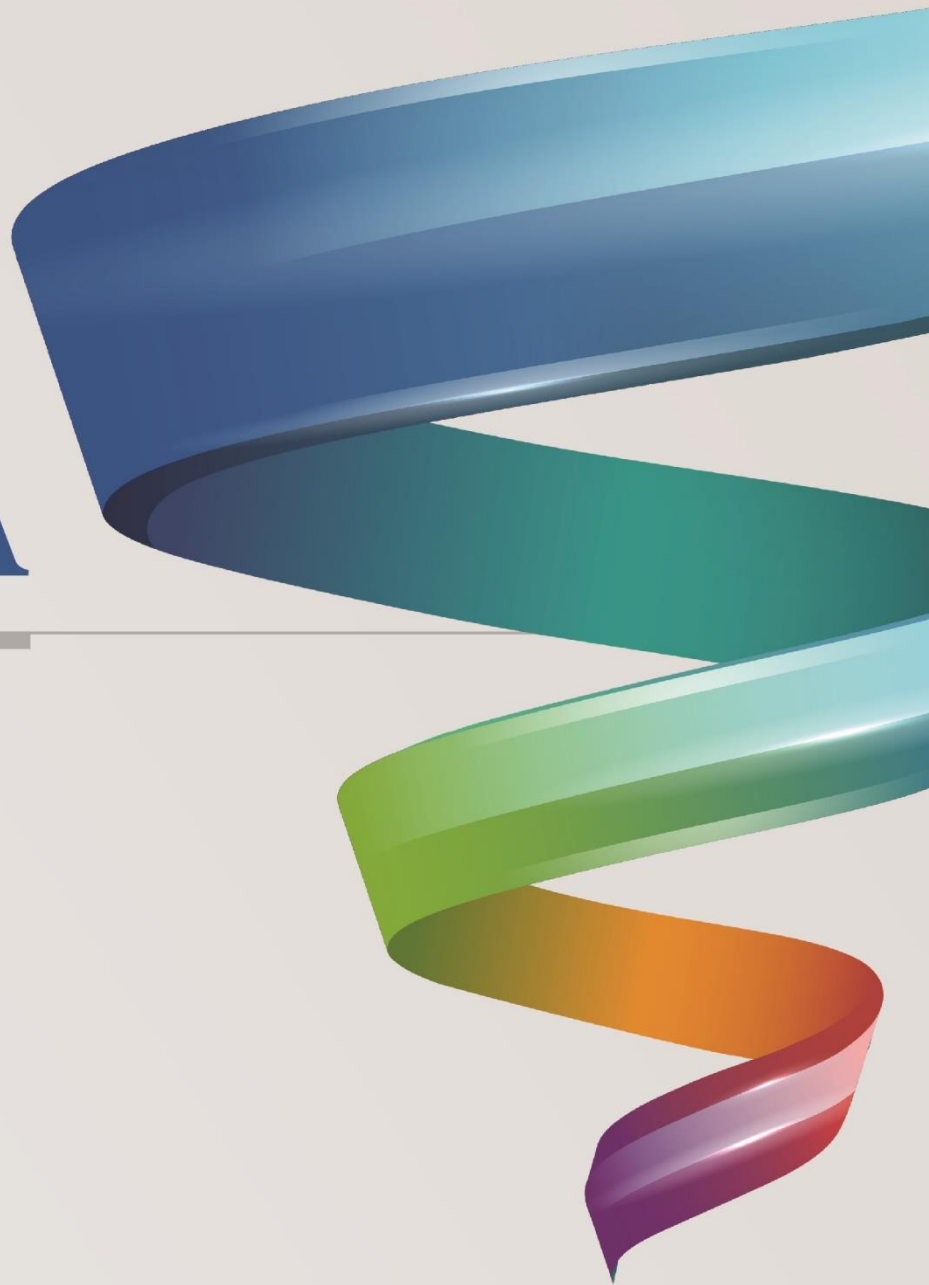


ITAÚSA

Complete Financial Statements

June 30, 2019



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MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the second quarter of 2019 (2Q19), prepared in accordance with the standards established by the Accounting Pronouncement Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

Independent auditor's report

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

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

1. ECONOMIC ENVIRONMENT

Economic activity indicators remain below the expectations raised in early 2019, and the climate of caution, still present even now, is illustrated by a high unemployment rate of 12.3%, with a slight downward trend in view of certain significant decisions made in the political field, such as the social security reform making headway at the Brazilian Congress and some measures adopted by the government to encourage consumer spending, such as the release of part of the assets in the workers' severance fund, known as FGTS. These measures may help businessmen and consumers resume confidence, with increase in consumer spending and investments.

In the economic arena, inflation (as measured by the IPCA) remains under control (3.4% in the last twelve months up to June), which, added up to the weak economic performance, has enabled the Central Bank of Brazil (BACEN) to gradually reduce the Selic interest rate, a move that started in October 2016, reaching current 6.00% from 14.25%, with a downward trend up to the end of the year according to market forecasts.

The global economy continues its downward trend in 2019, maintaining conditions of high uncertainty. The U.S. GDP growth is expected to slow down to 2.4% in 2019 (from 2.9% in 2018) and GDP in the euro zone would grow by mere 1.0% in 2019 (1.8% in 2018), according to Itaú BBA's estimates. Inflation remains low, which should lead the European Central Bank to cut interest rates within the year. Still according to Itaú BBA's estimates, China's growth should reach 6.2% in 2019, from 6.6% in 2018, driven by the impacts of the trade war with the U.S.

Itaúsa Conglomerate investees continue to perform in a challenging and competitive environment. Nevertheless, the potential recovery of consumption levels in the coming quarters suggests enhanced conditions for improvements in consumer goods operations, which, in turn, also take advantage of the gradual recovery of civil construction and seasonality. In the financial sector, the outstanding recovery of capital markets in the first half of 2019, together with the cut in Selic interest rates, should continue to favor the funds, investment banking transactions, and credit granting industry, which also benefits from improved consumer spending.

2. ITAÚSA HIGHLIGHTS

Return to stockholders

In August 2019, the Company disclosed dividends of R\$2.9 billion (R\$0,3405 per share). Earnings declared in the first half of 2019 totaled R\$3.2 billion, up 60.3% on a year-on-year basis.

The latest earnings declared and/or paid, as well as those scheduled for the coming months, are shown in the table below:

Competence Year	Declared provents	Declaratory act	Shareholding position	Date of payment	Nominal payment per share (R\$)
2018	Quarterly dividends	11/10/2008	8/31/2018	10/1/2018	0.0150
2018	Quarterly dividends	11/12/2018	11/30/2018	1/2/2019	0.0200
2018	Interest on capital *	12/12/2018	12/17/2018	3/7/2019	0.0081
2018	Interest on capital *	2/18/2019	2/21/2019	3/7/2019	0.3111
2018	Additional dividends	2/18/2019	2/21/2019	3/7/2019	0.4532
2018	Quarterly dividends	11/12/2018	2/28/2019	4/1/2019	0.0200
2019	Quarterly dividends	5/28/2019	5/31/2019	7/1/2019	0.0200
2019	Dividends - antecipation of 2019	8/12/2019	8/15/2019	8/23/2019	0.3405
Total provens in the last 12 months					1.1879

Stock's Price on Aug 9, 2019 13.06

Dividend Yield 9.1%

Competence Year	Expected provents	Declaratory act	Shareholding position	Date of payment	Nominal payment per share (R\$)
2019	Quarterly dividends	5/28/2019	8/30/2019	10/1/2019	0.0200
2019	Quarterly dividends	5/28/2019	11/29/2019	1/2/2020	0.0200
2019	Quarterly dividends	5/28/2019	2/28/2020	4/1/2020	0.0200

* Retention of 15% income tax, except for stockholders that are proven immune or exempt.

Merger of shares in Itaotec – Grupo Itaotec S.A. completed and end of the warranty services provided by Itaotec

The merger of shares in Itaotec– Grupo Itaotec S.A. into Itaúsa was completed on June 14, 2019. As a result of this merger, Itaúsa issued approximately 119,000 preferred shares (ITSA4), ending up with the dilution of 0.001% for Itaúsa's stockholders. Holders of Itaotec's common shares now are the holders of the same number of ITSA4 shares and entitled to all earnings to be declared by the Company as of that date. The Company's stockholders exercising their right to dissent and appraisal ensued the acquisition of 1,873 common shares for treasury, which were then cancelled on August 12, 2019 as resolved by the Board of Directors.

Proceeding with the merger process, Itaotec's shares are no longer traded on B3 as of June 14, 2019, and the process to cancel its registration as a publicly-held company is pending at CVM.

The Itaotec/ Infoway branded equipment warranty and maintenance agreements elapsed in June 2019, with Itaotec successfully complying with all agreed-upon commitments accordingly.

Increased interest held in Alpargatas' capital stock

On May 21, 2019, Itaúsa took part in the auction of shares in Alpargatas held at B3 and acquired 5.2 million preferred shares at R\$18.25 each, therefore increasing its interest in the company's capital by 0.9% to 28.0% (28.5% excluding treasury shares). This move, which was followed by the remaining controlling group and took advantage of a market opportunity driven by the offer of sale of a great number of shares, strengthens Itaúsa's trust in the long-term value creation of this investment.

BUSINESS SUSTAINABILITY

Social Impact Committee set up

With the purpose of strengthening and sparking the sustainability debate, on June 12, 2019, the Social Impact Committee was set up to operate as an advisory body to Management to drive and identify opportunities to improve the performance of the Committees, Foundations, and Institutes of investees.

The composition of this body and the summarized résumé of its members are available at:

<http://www.itausa.com.br/en/corporate-governance/management>

SUBSEQUENT EVENT

Proposal for merger of wholly-owned subsidiary

Itaúsa's administrative structure is composed of 80 professionals dedicated to its operational activities, who are currently allocated at Itaúsa Empreendimentos S.A., a company with its capital stock fully held by Itaúsa.

Aimed at streamlining its corporate structure, seeking more operational synergy and efficiency, with the resulting optimization and rationalization of administrative costs and accessory obligations derived from the maintenance of Itaúsa Empreendimentos, a General Stockholders' Meeting will be held on August 30, 2019 to resolve on the merger of this company.

3. ITAÚSA'S ECONOMIC PERFORMANCE

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries and revenues from investments in financial assets. We present below the individual Statement of Income of Itaúsa:

Individual results, in R\$ million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
INVESTEES' RESULTS IN ITAÚSA	2.573	2.234	15,2%	5.050	4.696	7,5%
FINANCIAL SECTOR	2.446	2.164	13,0%	4.852	4.538	6,9%
NON-FINANCIAL SECTOR	127	47	170,2%	202	126	61,0%
ALPARGATAS	26	(11)	336,4%	35	1	3400,0%
DURATEX	25	10	150,0%	33	21	61,0%
NTS ⁽¹⁾	76	48	58,3%	134	104	28,8%
OTHER COMPANIES ⁽²⁾	-	23	-100,0%	(4)	32	-112,4%
RESULTS OF ITAÚSA	(47)	(49)	4,1%	(336)	(376)	10,6%
FINANCIAL INCOME / EXPENSES	(20)	(21)	4,8%	(35)	(51)	31,4%
ADMINISTRATIVE EXPENSES ⁽²⁾	(26)	(23)	-13,0%	(58)	(38)	-52,6%
TAX EXPENSES	(2)	(7)	71,4%	(246)	(291)	15,5%
OTHER OPERATING REVENUES	1	2	-50,0%	3	4	-25,0%
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	2.526	2.185	15,6%	4.714	4.320	9,1%
INCOME TAX / SOCIAL CONTRIBUTION	(107)	(9)	-1088,9%	(19)	9	-311,1%
RECURRING INDIVIDUAL NET INCOME	2.419	2.176	11,2%	4.695	4.329	8,5%
NON-RECURRING RESULTS	16	(129)	112,4%	226	118	91,5%
NET INCOME	2.435	2.047	19,0%	4.921	4.447	10,7%

(1) Includes dividends and 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.

(2) For better comparability, some administrative expenses of the 1H18 on the administrative structure dedicated to the holding company's activities, recorded in Itaúsa Empreendimentos (a wholly-owned subsidiary of Itaúsa) in the amount of R\$4 million, were reclassified to line "Administrative Expenses" of Itaúsa (Income Statement of the Parent Company).

General and administrative (G&A) expenses

In the second quarter of 2019, administrative expenses, in the Individual Statement of Income of Itaúsa, totaled R\$26 million, and this increase, on a year-on-year basis, was mainly driven by the enhanced administrative structure, additional merger and acquisition projects and technology expenses, and by the payment and recognition of a provision of profit sharing, as well as the sureties and guarantees taken out to secure lawsuits.




MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED AND MARKET

	R\$ million			R\$ per share		
	1H19	1H18	change	06/30/2019	06/30/2018	change
PROFITABILITY						
Net income	4,921	4,447	10.7%	0.59	0.54	9.0%
Recurring net income	4,695	4,329	8.5%	0.56	0.52	6.8%
Return on Equity (annualized)	18.7%	17.6%	110 bps			
Recurring Return on Equity (annualized)	17.8%	17.1%	70 bps			
BALANCE SHEET						
Total assets	56,449	55,059	2.5%			
Net indebtedness	547	322	69.9%			
Stockholders' equity	52,362	51,081	2.5%	6.23	6.07	2.5%
CAPITAL MARKETS						
Market Value ⁽¹⁾	108,415	77,219	40.4%			
Average daily traded financial volume - Itaúsa PN	319	224	42.5%			

(1) Based on the closing price of preferred shares in the last day of the period. 

MAIN INDICATORS OF ITAÚSA CONGLOMERATE COMPANIES

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

	January to June	R\$ million		
		Financial Sector 	Non-Financial Sector  	
Operating revenues ⁽¹⁾	2019	94,674	1,947	2,217
	2018	80,447	1,793	2,173
Net income ⁽⁶⁾	2019	13,274	86	93
	2018	12,129	137	197
Total Assets	2019	1,566,311	4,323	10,345
	2018	1,469,095	3,679	9,488
Stockholders' equity ⁽⁶⁾	2019	129,914	2,457	4,728
	2018	126,336	2,130	4,996
Annualized return on average equity (%) ^{(2) (6)}	2019	21.7%	7.1%	4.0%
	2018	20.0%	12.7%	8.2%
Internal fund generation ⁽³⁾	2019	29,332	274	468
	2018	26,158	237	765
Interest of Itaúsa in companies ^{(4) (5)}	2019	37.46%	28.45%	36.66%
	2018	37.58%	27.55%	36.67%

(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 ((jun + mar+ dec'18)/3).

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

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

(5) The Interest presented consider the outstanding shares.

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

RECONCILIATION OF RECURRING NET INCOME

	2Q19	2Q18	1H19	1H18
Recurring Net income	2,419	2,176	4,695	4,329
Addition/(Exclusion) of Non-Recurring Effects D= (A + B + C)	16	(129)	226	118
Own (A)	28	(85)	28	(85)
Disposal of shares in Elekeiroz	-	(85)	-	(85)
Disposal of interest in Itaú Unibanco Centro Empresarial	28	-	28	-
Arising from Ownership Interest in the Financial Sector (B)	-	(95)	209	141
Changes in treasury shares	2	(90)	211	144
Provision for civil contingencies – Economic plans	-	(2)	-	34
Realization of assets and Impairment	-	(3)	-	(38)
Other	(2)	-	(2)	1
Arising from Ownership Interest in the Non-Financial Sector (C)	(12)	51	(11)	62
Alpargatas	(12)	-	(12)	11
Duratex	-	51	1	51
Net Income	2,435	2,047	4,921	4,447

3.1. Capital markets

Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed June 2019 at R\$12.89, a 40.4% increase in the previous 12 months (or 53.1% as adjusted by declared earnings), whereas Ibovespa, B3's main index, rose by 38.8% in the same period.

The daily average financial volume of preferred shares in the first half of 2019 was R\$319 million, with an average of 30,000 daily trades.

On June 30, 2019, Itaúsa had 246,500 individual stockholders, up 156.1% from the number of 96,200 on a year-on-year basis.

Itaúsa discount

Discount is an indicator of the difference between the market price ascertained for Itaúsa's shares and the theoretical value obtained through the sum of the market values of the parts that compose the holding company's investments. On June 30, 2019, Itaúsa's shares were traded at a 21.8% discount.

Market capitalization on June 30, 2019, based on the price of the most liquid shares (ITSA4), was R\$108,415 million, whereas the sum of interests in investees at market value totaled R\$138,714 million.

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

Public Meeting with stockholders, investors and capital markets, in partnership with Apimec/SP

On September 3, 2019, Itaúsa will hold, for the 19th consecutive year, its annual public meeting with stockholders, investors, and the general public interested in capital markets, in partnership with Apimec/SP, to discuss the results and strategies of Itaúsa and its investees. Presentations will start at 9:30 a.m. and broadcast live on the Company's website at <http://www.itausa.com.br/en>. The Q&A session at the end of the event is open to all.

4. COMMENTS ON THE PERFORMANCE OF INVESTEES



Itaú Unibanco Holding S.A.

Highlights

Rede's new commercial proposal

Rede launched a new commercial proposal establishing that clients with annual revenues of up to R\$30 million that receive their payments at Itaú Unibanco will receive the proceeds of their single-installment credit card sales with zero cost on advances.

Digital transformation

Given the increasing number of customers operating digitally, the bank has made investments in technological enhancements to provide more convenience and reliability. Among the major projects in progress, the highlights are (i) the iti (Itaú, technology and innovation) pilot project launched in May, a platform that waives the need for card machines or physical cards to make payments in commercial establishments or between people using QR Code®, (ii) the possibility to purchase US dollars and Euros on the apps, free of charge, and make fully digital international transfers, and (iii) a cost-free international credit card launched in partnership with Mercado Livre and Visa, with contactless payment technology.

Results under IFRS

Net income attributable to controlling stockholders totaled R\$6.5 billion in the second quarter of 2019, up 13.7% on a year-on-year basis, mainly driven by increase in Operating Revenues¹. The main business lines that contributed to higher Operating Revenues are as follows:

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Operating Revenues	28,753	21,176	35.8	57,049	48,585	17.4
Net Income	6,527	5,740	13.7	13,274	12,129	9.4
ROE	21.0%	18.7%	2.3 p.p.	21.7%	20.0%	1.7 p.p.
Loan Portfolio	663,176	627,238	5.7	663,176	627,238	5.7

(i) **Commissions and fees** were up 3.7%, positively impacted by fund management revenues (+14.5%) and credit and debit card revenues (7.6%), and

(ii) **Loan portfolio**, including financial guarantees provided and corporate securities, was up 5.7%, driven by the very small, small and middle-market companies (+18.4%) and the individuals (+13.6%) segments outperforming.

Noteworthy mentioning in the period was the performance of operating revenues in the retail banking segment, up 7.5%, mainly driven by the increase in loan portfolio, as stated above.

General and administrative expenses were down 0.2% in 2Q19 on a year-on-year basis. Increase in personnel expenses, in connection with resignations, retirements and terminations in the period, was made up for the better control over administrative expenses.

Net income attributable to controlling stockholders totaled R\$13.3 billion in the first half of 2019.

Capital management is a key element of the management model, through which a company seeks to optimize the application of funds and ensure its strength. These goals are reflected on capital ratio and dividend distribution policies, which have set a minimum Tier I capital ratio of 13.5%. Therefore, profit distributions are conditioned on this threshold, as well as business growth outlooks, profitability for the year, mergers and acquisitions, changes in the market, and tax and regulatory changes that may modify capital requirements. Dividends paid, provided for or registered in stockholders' equity in the first half of 2019 totaled R\$8.5 billion, up 60.8% on a year-on-year basis. On August 23, 2019, the Company will pay out R\$7.7 billion as dividends (equivalent to R\$0.7869 per share). In the first half of 2019, Tier 1 capital ratio was 14.9%.

¹ Information by segment is not prepared in accordance with IAS 34, but rather with the accounting standards adopted in Brazil, as established by the Central Bank of Brazil. It includes the following pro-forma adjustments: (i) recognizing the impact of capital allocation by using a proprietary model; (ii) using raising and cost of capital at market prices, based on certain managerial criteria; (iii) excluding non-recurring events from our results; and (iv) reclassifying tax effects on hedge instruments to foreign investments.



Highlights

Acquisition of Cecrisa

In July 2019, the Company completed the acquisition of Cecrisa Revestimentos Cerâmicos S.A., one of Brazil's largest ceramic tiles companies in the premium segment, which produces and sells Cecrisa and Portinari branded products. Duratex will pay up to R\$539 million in the transaction, subject to variation of working capital and certain conditions precedent, in addition to assuming Cecrisa's net debt. With this transaction, the Company expects to gradually capture operational and administrative synergies of over R\$250 million. The transaction was approved in June by CADE, the Brazilian anti-trust agency.

New investments and adjusting assets to further value creation

In line with the value creation strategy based on furthering capital allocation discipline, over the second quarter the Company spearheaded a number of fronts in connection with the Company's assets.

The joint venture set up to produce dissolving wood pulp ('DWP') has obtained the environment pre-construction permit and has already set off the infrastructure work.

A significant portion of investments in the quarter was allocated to the Ceusa unit expansion project, which will double the Company's production capacity of ceramic tiles. Operations are scheduled to set off in the fourth quarter.

Last but not least, aimed at adjusting the use of assets and focusing on increase productivity, in July 2019 the Company decommissioned the bathroom porcelain manufacturing unit located in São Leopoldo/RS. Operations were transferred to other units accordingly. The effects of this operation are reflected in the company's results of 2Q19, with an impact of R\$ 30.4 million in the EBITDA in the period.

Results

Net revenue totaled R\$1,144.7 million in 2Q19, down 2.0% on a year-on-year basis, mainly driven by the sale of forest assets in 2Q 18 for R\$57 million. Accounting for 19% of total net revenue, exports were adversely impacted by international freight costs.

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	1,144.7	1,167.5	-2.0%	2,217.2	2,173.5	2.0%
EBITDA	286.9	501.5	-42.8%	515.7	726.4	-29.0%
Net Income	69.4	166.6	-58.4%	93.3	197.4	-52.7%
ROE	5.9%	13.6%	- 7.7 p.p.	4.0%	8.2%	- 4.2 p.p.

Wood Division's net revenue totaled R\$701.8 million in the second quarter of 2019, down 6.1% on a year-on-year basis. Excluding the positive effect of the fiberboard business revenue in 2Q18, the Wood Division's pro forma net revenue would be up 7.7%, and noteworthy mentioning is the maintenance of the sales policy.

Deca Division posted net revenue of R\$385.9 million, up 3.1% from 2Q18. Highlights are the recurring gross margin closing the 2Q19 at 30.3%, up 310 basis points year-on-year, and the EBITDA margin of 16.5%, the highest in the last 12 months, driven by the capture of synergies arising from the integration in Hydra and by the projects to increase productivity/efficiency in the bathroom fixtures and porcelain lines.

Operating under the Ceusa brand, the **Ceramic Tiles Division** increased volume by 19.0% year-on-year, outperforming its peers in the market. The second quarter of 2019 was marked by new product lines and the resulting improvement in the mix of prices. The division's net revenue totaled R\$56.9 million, up 24.7% on a year-on-year basis.

EBITDA totaled R\$286.9 million, whereas recurring EBITDA was R\$213.3 million in 2Q19, adjusted by non-cash events and extraordinary events, such as the decommissioning of the production unit and the positive effect of the Company's winning the tax claim in connection with the exclusion of ICMS from the PIS/COFINS calculation base. Net income in 2Q19 totaled R\$69.4 million (-58.4%), whereas net income adjusted by the same non-recurring events and the sale of land of subsidiary Duratex Florestal would have increased by 152.7%.

Net debt totaled R\$2,059.6 million at the end of June, representing 2.45 times the recurring adjusted EBITDA for 12 months, substantially stable from the previous quarter, but with its profile now restructured given the issue of R\$1.2 billion in debentures in the quarter.



Highlights

Optimizing assets and leaving the textile segment in Argentina

In June 2019, the Company concluded negotiations to sell its textile segment assets in Argentina, which will result in it receiving approximately US\$ 14.4 million. The transfers of these assets to their respective buyers are subject to certain conditions precedent. With this transaction scheduled to be completed by October 1, 2019, Alpargatas will no longer operate in the textile segment.

Results

Net revenue increased by 11.6% in 2Q19 on a year-on-year basis, driven by the double-digit growth in all business in Brazil (Havaianas Brazil, Mizuno, and Osklen) and by the 14.4% increase in international Havaianas operations, despite the fall by 8.1% in Argentina in Brazilian reais.

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	993.4	890.6	11.6%	1,947.0	1,792.7	8.6%
EBITDA	98.0	64.1	53.0%	231.2	233.2	-0.9%
Net Income	35.9	22.5	59.5%	86.5	136.6	-36.7%
ROE	5.9%	4.2%	1.7 p.p.	7.1%	12.7%	- 5.6 p.p.

Net revenue in **Brazil** line, represented by Havaianas, Dupé, Mizuno, and Osklen brands, reached R\$563.8 million, up 16.6%, mainly driven by a larger volume and improved mix/price of products in Havaianas. **Sandals International** posted net revenue of R\$282.9 million, up 14.4% from that reported in 2Q18, driven by the volume of sales being 15.1% higher, with growth in the EMEA (Europe and Middle-East), Latam (Latin America) and APAC (Asia Pacific) regions. Net revenue in **Argentina** was R\$146.7 million. The strong rise in prices in Argentinian pesos in the period has made up for the 13.3% fall in volume, thus partially preserving the net revenue in Brazilian reais compared to 2Q18.

In own stores and franchises operated in Brazil, including e-commerce, sales volume, according to the same-store sales concept, increased by double digits on a year-on-year basis (Havaianas +17% and Osklen +21%).

Gross profit increased by 8.6% in 2Q19 on a year-on-year basis, with a 120 basis-point loss in gross margin, mainly driven by the effect of hyperinflation in Argentina and the greater share of the wholesale channel in the EMEA region. In Brazil, the cost of rubber impacted results compared to 2Q18, which was partially mitigated by the richer mix of channels and products in the quarter.

Recurring EBITDA increased by 39.4% and reached R\$127.7 million, driven by increased revenues in the Brazil and in Sandals International lines and the better management of the company's expenses year-on-year, arising from VIP 100% (Value Improvement Program) and ZBB (Zero-Based Budgeting) projects. There were positive non-recurring effects from the final and unappealable decision of the lawsuit that challenged the inclusion of ICMS in PIS calculation base and the adoption of IFRS 16, as well as the negative effects of the inflation adjustment in Argentina and the impairment of Argentina goodwill in Brazil. In 2Q18, restructuring was carried out in Argentina and Brazil.

Net income attributable to stockholders in the second quarter totaled R\$35.9 million, up 59% on a year-on-year basis, whereas recurring net income totaled R\$70.4 million, up 278.3%, driven by the factors mentioned above. Operating cash generation was R\$314,7 million, and cash balance was R\$177.5 million on June 30, 2019.



Results

In the second quarter of 2019, net revenue totaled R\$1,097 million, up 9.4% on a year-on-year basis, driven by the annual inflation-adjustment to gas ship-or-pay agreements. Net income in 2Q19 totaled R\$561 million, up 17.0% on a year-on-year basis, driven by lower debenture financial expenses due to the fall in interest rates and the debt restructuring with funds raised under more attractive conditions, and fall in costs of services provided in view of the PIS/COFINS credits on depreciation of fixed assets. In the first half of 2019, the Company recorded net revenue of R\$2,181 million and net income of R\$1,099 million.

R\$ million	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	1,097	1,003	9.4%	2,181	1,993	9.4%
Net Income	561	480	17.0%	1,099	935	17.6%

Dividends and interest on capital

In the period from April to June 2019, Itaúsa received dividends and interest on capital, gross, in the amount of R\$44.5 million. In the first half of 2019, the amount received totaled R\$84.2 million.

5. PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 128,000 employees on June 30, 2019, including 15,900 employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 80 professionals on that same date.

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

Independent Auditors' Justification - PwC

The provision of the above-described on-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.

7. ACKNOWLEDGMENTS

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.**BOARD OF DIRECTORS****Chairman**

Henri Penchas

Vice-Chairman

Alfredo Egydio Setubal
Ana Lúcia de Mattos Barretto Villela

Members

Paulo Setubal Neto
Rodolfo Vilella Marino
Victório Carlos De Marchi

Alternative members

Edson Carlos De Marchi
Ricardo Egydio Setubal
Ricardo Villela Marino

FISCAL COUNCIL**President**

Tereza Cristina Grossi Togni

Members

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

Alternative members

Carlos Eduardo de Mori Luporini
Félcio Cintra do Prado Júnior
Guilherme Tadeu Pereira Júnior
Isaac Berensztein
João Costa

EXECUTIVE BOARD**Chief Executive Officer**

Alfredo Egydio Setubal (*)

Executive Vice-Presidents

Alfredo Egydio Arruda Villela Filho
Roberto Egydio Setubal
Rodolfo Villela Marino

(*) *Investor Relations Officer*

ACCOUNTANT

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Balance Sheet
(In millions of Reais)

ASSETS	NOTE	06/30/2019	12/31/2018
Cash and cash equivalents	3	2,205	2,421
Financial assets - Fair value through profit or loss	4	1,082	1,030
Trade accounts receivable	5	1,159	1,215
Other financial assets	6a	1,208	758
Inventory	7	951	798
Investments in associates and joint ventures	8 IIa	50,668	52,831
Fixed assets, net	9	3,327	3,338
Intangible assets, net	10	414	423
Right-of-Use Assets	11	518	-
Biological assets	12	1,626	1,565
Tax assets		1,794	1,756
Income tax and social contribution - for offsetting		395	399
Income tax and social contribution - deferred	13b	1,295	1,294
Other		104	63
Other non-financial assets	6a	50	71
TOTAL ASSETS		65,002	66,206

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	06/30/2019	12/31/2018
Liabilities			
Dividends and interest on capital		1,348	772
Debentures	14	2,414	1,208
Loans and financing	15	2,071	2,863
Provision	16	1,476	1,448
Tax liabilities		553	517
Income tax and social contribution - current		36	26
Income tax and social contribution - deferred	13b	486	462
Other		31	29
Other liabilities	6b	1,257	1,319
Lease Liabilities	11	526	-
Total Liabilities		9,645	8,127
Stockholders' Equity			
Capital	17a	43,515	43,515
Reserves	17d	10,531	13,339
Carrying value adjustments		(1,684)	(1,711)
Total Stockholders' Equity Attributable to Owners of the Parent Company		52,362	55,143
Non-controlling interests		2,995	2,936
Total Stockholders' Equity		55,357	58,079
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		65,002	66,206

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A

Consolidated Statement of Income

(In millions of Reals, except per share information)

	NOTE	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Net sales revenue of products and services	19	1,143	2,214	1,340	2,602
Cost of products and services	20	(797)	(1,588)	(999)	(1,946)
Gross profit		346	626	341	656
Sales expenses	20	(170)	(331)	(175)	(340)
General and administrative expenses	20	(87)	(172)	(71)	(150)
Other (losses)/gains, net	21	85	113	117	168
Tax expenses		(2)	(245)	(9)	(293)
Share of income in associates and joint ventures	8 IIa	2,460	5,084	2,058	4,691
Operating result		2,632	5,075	2,261	4,732
Financial income	22	88	182	125	181
Financial expenses	22	(105)	(217)	(178)	(293)
Financial result		(17)	(35)	(53)	(112)
Income before income tax and social contribution		2,615	5,040	2,208	4,620
Current income tax and social contribution	13a	(18)	(37)	(98)	(116)
Deferred income tax and social contribution	13a	(118)	(23)	43	69
Net income		2,479	4,980	2,153	4,573
Net income attributable to owners of the parent company		2,435	4,921	2,047	4,447
Net income attributable to non-controlling interests		44	59	106	126
Earnings per share - basic and diluted	23				
Common		0.29	0.59	0.25	0.54
Preferred		0.29	0.59	0.25	0.54
Weighted average number of shares outstanding – basic and diluted					
Common		2,889,839,019	2,889,839,331	2,867,721,003	2,845,602,364
Preferred		5,520,977,160	5,520,917,753	5,481,241,942	5,439,375,539

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Comprehensive Income

(In millions of Reais)

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Net income	2,479	4,980	2,153	4,573
Other comprehensive income	(22)	27	(307)	(277)
Amounts that will subsequently be reclassified to results	29	77	(307)	(277)
Interest in associates and jointly controlled entities, net of tax	34	78	(328)	(309)
Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad	34	78	(328)	(309)
Interest in subsidiaries, net of tax	(5)	(1)	21	32
Foreign exchange variations on investments abroad	(5)	(1)	21	32
Amounts that will not subsequently be reclassified to results	(51)	(50)	-	-
Interest in associates and jointly controlled entities, net of tax	(51)	(50)	-	-
Remeasurement of post-employment benefit obligations	(51)	(50)	-	-
Total comprehensive income	2,457	5,007	1,846	4,296
Comprehensive income attributable to owners of the parent-company	2,413	4,948	1,740	4,170
Comprehensive income attributable to non-controlling interests	44	59	106	126

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Cash Flows
(In millions of Reais)

	Note	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Cash flow from operating activities					
Adjusted net income		248	420	533	652
Net income		2,479	4,980	2,153	4,573
Adjustments to net income:		(2,231)	(4,560)	(1,620)	(3,921)
Share of income in associates and joint ventures	8 IIa	(2,460)	(5,084)	(2,058)	(4,691)
Deferred income tax and social contribution		118	23	(43)	(69)
Contingent liabilities	16b	1	168	7	163
Interest, foreign exchange and monetary variations, net		44	94	90	176
Depreciation, amortization and depletion		155	322	212	357
Change in fair value of biological assets	12c	(78)	(97)	(29)	(72)
Allowance for loan losses	5	1	5	2	9
Net result on sale of investment and fixed assets		(27)	(27)	121	121
Other		15	36	78	85
Changes in assets and liabilities		(220)	(297)	(1,190)	(1,248)
(Increase) decrease in financial assets		-	-	(3)	39
(Increase) decrease in trade accounts receivable		(41)	50	(84)	(50)
Increase in inventory		(22)	(154)	(67)	(100)
Decrease in tax assets		92	8	97	19
(Increase) decrease in other assets		(49)	298	(290)	(216)
Increase (decrease) in tax liabilities		(63)	24	(55)	(68)
Decrease in other liabilities		(137)	(523)	(788)	(872)
Others		(164)	(203)	(182)	(243)
Payment of income tax and social contribution		(28)	(46)	(102)	(118)
Interest paid on loans and financing		(136)	(157)	(80)	(125)
Net cash used in operating activities		(136)	(80)	(839)	(839)
Cash flow from investment activities					
Purchase of investments		(95)	(95)	-	-
Sale of investments		-	-	29	29
Interest on debentures receivable		-	-	6	15
Acquisition of fixed assets, intangibles and biological assets		(146)	(232)	(121)	(210)
Sale of fixed assets, intangibles and biological assets		2	4	152	153
Interest on capital and dividends received		209	6,488	155	5,627
Redemption of debentures		-	-	441	442
Net cash (used in) from investment activities		(30)	6,165	662	6,056
Cash flow from financing activities					
Subscription of shares		-	-	647	664
Treasury shares		1	2	(15)	(15)
Interest on capital and dividends paid		(169)	(6,710)	(116)	(4,647)
Loans and financing receivable		-	-	386	431
Payment of borrowing and financing		(535)	(791)	(435)	(859)
Issue of Debentures		1,198	1,198	-	-
Net cash (used in) from financing activities		495	(6,301)	467	(4,426)
Net increase (decrease) in cash and cash equivalents		329	(216)	290	791
Cash and cash equivalents at the beginning of the period	3	1,877	2,421	1,722	1,218
Effects of changes in exchange rates on cash and cash equivalents		(1)	-	5	8
Cash and cash equivalents at the end of the period	3	2,205	2,205	2,017	2,017

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Value Added

(In millions of reais)

	04/01 to 06/30/2019	%	01/01 to 06/30/2019	%	04/01 to 06/30/2018	%	01/01 to 06/30/2018	%
Income	1,421		2,766		1,861		3,458	
Sales of products and services	1,403		2,746		1,656		3,241	
Allowance for doubtful accounts	(1)		(5)		(2)		(9)	
Other revenue	19		25		207		226	
Inputs purchased from third parties	(873)		(1,722)		(1,174)		(2,230)	
Cost of products and services	(694)		(1,378)		(878)		(1,768)	
Materials, energy and third-party services	(179)		(344)		(175)		(341)	
Losses	-		-		(121)		(121)	
Gross value added	548		1,044		687		1,228	
Depreciation, amortization and depletion	(155)		(322)		(212)		(357)	
Net value added produced by the company	393		722		475		871	
Value added received from transfer	2,622		5,381		2,226		4,958	
Share of income in associates and joint ventures	2,460		5,084		2,058		4,691	
Financial income	88		182		125		181	
Other revenue	74		115		43		86	
Total value added to be distributed	3,015		6,103		2,701		5,829	
Distribution of value added	3,015	100.00%	6,103	100.00%	2,701	100.00%	5,829	100.00%
Personnel	209	6.93%	413	6.77%	216	8.00%	426	7.31%
Compensation	169		333		173		342	
Benefits	30		59		32		62	
FGTS – Government severance pay fund	10		20		11		22	
Other	-		1		-		-	
Taxes, fees and contributions	225	7.46%	498	8.16%	164	6.07%	557	9.56%
Federal	221		486		168		553	
State	3		6		(6)		(4)	
Municipal	1		6		2		8	
Return on third parties' assets	102	3.38%	212	3.47%	168	6.22%	273	4.68%
Interest	102		212		168		272	
Rental revenue	-		-		-		1	
Return on own assets	2,479	82.23%	4,980	81.60%	2,153	79.71%	4,573	78.45%
Dividends and interest on capital paid/provided for	2,610		3,200		1,439		2,009	
Retained earnings for the period	(175)		1,721		608		2,438	
Non-controlling interests in retained earnings	44		59		106		126	

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.**Individual Balance Sheet***(In millions of Reais)*

ASSETS	NOTE	06/30/2019	12/31/2018
Cash and cash equivalents		661	936
Financial assets - Fair value through profit or loss	4	1,082	1,030
Other financial assets		653	307
Dividends and interest on capital		615	270
Escrow deposits as guarantees of contingencies		38	37
Investments in subsidiaries, associates and joint ventures	8 lc	52,678	54,810
Fixed assets, net		98	99
Tax assets		1,212	1,215
Income tax and social contribution - current		294	293
Income tax and social contribution - deferred		916	920
Other		2	2
Other assets		65	23
TOTAL ASSETS		56,449	58,420

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	06/30/2019	12/31/2018
Liabilities			
Dividends and interest on capital		1,183	408
Debentures	14	1,208	1,208
Provision		1,302	1,285
Tax liabilities		77	67
Income tax and social contribution - deferred		75	60
Other		2	7
Other liabilities		317	309
Total Liabilities		4,087	3,277
Stockholders' Equity			
Capital	17a	43,515	43,515
Reserves	17d	10,531	13,339
Carrying value adjustments		(1,684)	(1,711)
Total Stockholders' Equity		52,362	55,143
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		56,449	58,420

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Statement of Income

(In millions of Reais, except per share information)

	NOTE	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Other (losses)/gains, net		74	114	(81)	(38)
General and administrative expenses		(27)	(58)	(21)	(34)
Tax expenses		(2)	(246)	(7)	(291)
Share of income in subsidiaries, associates and joint ventures	8 c	2,485	5,114	2,140	4,791
Operating result		2,530	4,924	2,031	4,428
Financial income		59	122	75	96
Financial expenses		(47)	(106)	(86)	(122)
Financial result		12	16	(11)	(26)
Income before income tax and social contribution		2,542	4,940	2,020	4,402
Current income tax and social contribution		-	-	1	-
Deferred income tax and social contribution		(107)	(19)	26	45
Net income		2,435	4,921	2,047	4,447
Earnings per share - basic and diluted	23				
Common		0.29	0.59	0.25	0.54
Preferred		0.29	0.59	0.25	0.54
Weighted average number of shares outstanding – basic and diluted					
Common		2,889,839,019	2,889,839,331	2,867,721,003	2,845,602,364
Preferred		5,520,977,160	5,520,917,753	5,481,241,942	5,439,375,539

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Individual Statement of Comprehensive Income

(In millions of reais)

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Net income	2,435	4,921	2,047	4,447
Other comprehensive income	(22)	27	(307)	(277)
Amounts that will subsequently be reclassified to results	29	77	(307)	(277)
Interest in jointly controlled entities, net of tax	34	78	(328)	(309)
Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad	34	78	(328)	(309)
Interest in subsidiaries, net of tax	(5)	(1)	21	32
Foreign exchange variation on investments abroad	(5)	(1)	21	32
Amounts that will not be subsequently reclassified to results	(51)	(50)	-	-
Interests in associates and jointly controlled entities, net of tax	(51)	(50)	-	-
Remeasurement of post-employment benefit obligations	(51)	(50)	-	-
Total comprehensive income	2,413	4,948	1,740	4,170

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated and Individual Statement of Changes in Stockholders' Equity (Note 17)
(In millions of Reais)

	Attributable to owners of the parent company							Total stockholders' equity			
	Capital	Treasury shares	Capital reserves	Appropriated revenue reserves	Unappropriated revenue reserves	Proposal for distribution of additional dividends	Retained earnings / (accumulated deficit)	Carrying value adjustments	Owners of the parent company	Non-controlling interests	Total
Balance at 01/01/2018	37,145	-	719	9,667	687	5,002	-	(1,294)	51,926	2,993	54,919
Transactions with owners	6,370	(23)	-	(4,999)	-	(4,049)	(2,009)	-	(4,710)	46	(4,664)
Subscription of shares	1,370	-	-	-	-	-	-	-	1,370	-	1,370
Treasury shares	-	(23)	-	-	-	-	-	-	(23)	-	(23)
Increase in capital with reserves	5,000	-	-	(5,000)	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	46	46
Dividends and interest on capital not claimed	-	-	-	1	-	-	-	-	1	-	1
Dividends and interest on capital	-	-	-	-	-	-	(1,056)	-	(1,056)	-	(1,056)
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	-	953	(953)	-	-	-	-
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	-	-	-	(5,002)	-	-	(5,002)	-	(5,002)
Transactions with subsidiaries and jointly controlled companies	-	-	(195)	(110)	-	-	-	-	(305)	-	(305)
Paid-in reserves	-	-	-	687	(687)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	4,447	(277)	4,170	126	4,296
Net income	-	-	-	-	-	-	4,447	-	4,447	126	4,573
Other comprehensive income	-	-	-	-	-	-	-	(277)	(277)	-	(277)
Appropriations:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	222	-	-	(222)	-	-	-	-
Unappropriated-reserves	-	-	-	-	2,216	-	(2,216)	-	-	-	-
Balance at 06/30/2018	43,515	(23)	524	5,467	2,216	953	-	(1,571)	51,081	3,165	54,246
Change in the period	6,370	(23)	(195)	(4,200)	1,529	(4,049)	-	(277)	(845)	172	(673)
Balance at 01/01/2019	43,515	-	633	6,155	122	6,429	-	(1,711)	55,143	2,936	58,079
Transactions with owners	-	-	-	2	-	(4,398)	(3,200)	-	(7,596)	-	(7,596)
Dividends and interest on capital not claimed	-	-	-	2	-	-	-	-	2	-	2
Dividends and interest on capital	-	-	-	-	-	-	(1,169)	-	(1,169)	-	(1,169)
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	-	2,031	(2,031)	-	-	-	-
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	-	-	-	(6,429)	-	-	(6,429)	-	(6,429)
Transactions with subsidiaries and jointly controlled companies	-	-	(208)	75	-	-	-	-	(133)	-	(133)
Paid-in reserves	-	-	-	122	(122)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	4,921	27	4,948	59	5,007
Net income	-	-	-	-	-	-	4,921	-	4,921	59	4,980
Other comprehensive income	-	-	-	-	-	-	-	27	27	-	27
Appropriations:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	246	-	-	(246)	-	-	-	-
Unappropriated-reserves	-	-	-	-	1,475	-	(1,475)	-	-	-	-
Balance at 06/30/2019	43,515	-	425	6,600	1,475	2,031	-	(1,684)	52,362	2,995	55,357
Change in the period	-	-	(208)	445	1,353	(4,398)	-	27	(2,781)	59	(2,722)

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Cash Flows
(In millions of Reais)

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Cash flow from operating activities				
Adjusted net income	30	(45)	31	(54)
Net income	2,435	4,921	2,047	4,447
Adjustments to net income:	(2,405)	(4,966)	(2,016)	(4,501)
Share of income in subsidiaries, associates and joint ventures	(2,485)	(5,114)	(2,140)	(4,791)
Deferred income tax and social contribution	107	19	(26)	(45)
Contingent liabilities	1	149	2	159
Interest and monetary variations, net	(2)	5	26	53
Net result on sale of investment and fixed assets	(27)	(27)	121	121
Depreciation and amortization	1	2	1	2
Changes in assets and liabilities	(192)	(150)	(846)	(763)
(Increase) decrease in financial assets	-	-	(5)	38
Decrease in tax assets	91	7	97	18
(Increase) decrease in other assets	(37)	316	(7)	371
Increase (decrease) in tax liabilities	(95)	(5)	(97)	8
Decrease in other liabilities	(151)	(468)	(834)	(1,198)
Other	(39)	(39)	(41)	(44)
Interest paid on loans and financing	(39)	(39)	(41)	(44)
Net cash used in operating activities	(201)	(234)	(856)	(861)
Cash flow from investment activities				
Acquisition of investments	(95)	(95)	-	-
Sale of investments	-	-	29	29
Purchases of fixed assets and intangible	(4)	(10)	(3)	(5)
Redemption of debentures	-	-	441	442
Interest on debentures receivable	-	-	7	16
Interest on capital and dividends received	209	6,577	155	5,650
Net cash from investment activities	110	6,472	629	6,132
Cash flow from financing activities				
Advance for future capital increase	-	-	647	664
Settlement - Loan operations	-	-	-	(520)
Loans and financing payable	-	-	-	20
Purchases of treasury shares	-	-	(15)	(15)
Interest on capital and dividends paid	(169)	(6,513)	(116)	(4,605)
Net cash (used in) from financing activities	(169)	(6,513)	516	(4,456)
Net increase (decrease) in cash and cash equivalents	(260)	(275)	289	815
Cash and cash equivalents at the beginning of the period	921	936	597	71
Cash and cash equivalents at the end of the period	661	661	886	886

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Value Added

(In millions of Reais)

	04/01 to 06/30/2019	%	01/01 to 06/30/2019	%	04/01 to 06/30/2018	%	01/01 to 06/30/2018	%
Inputs purchased from third parties	(25)		(46)		(140)		(152)	
Third-party services	(15)		(31)		(16)		(25)	
Other	(10)		(15)		(124)		(127)	
Gross value added	(25)		(46)		(140)		(152)	
Depreciation and amortization	(1)		(2)		(1)		(2)	
Net added value produced by the company	(26)		(48)		(141)		(154)	
Added value received through transfers	2,621		5,353		2,248		4,970	
Share of income in subsidiaries, associates and joint ventures	2,485		5,114		2,140		4,791	
Financial income	59		122		68		96	
Other income	77		117		40		83	
Total value added to be distributed	2,595		5,305		2,107		4,816	
Distribution of value added	2,595	100.00%	5,305	100.00%	2,107	100.00%	4,816	100.00%
Personnel - compensation	6	0.23%	16	0.30%	1	0.05%	3	0.06%
Taxes, fees and contributions	109	4.20%	267	5.03%	(19)	-0.90%	248	5.15%
Return on third parties' assets - interest	45	1.73%	101	1.90%	78	3.70%	118	2.45%
Return on own assets	2,435	93.84%	4,921	92.77%	2,047	97.15%	4,447	92.34%
Dividends and interest on capital	2,610		3,200		1,439		2,009	
Retained earnings for the period	(175)		1,721		608		2,438	

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

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Financial Statements
at June 30, 2019 and 2018

(In millions of Reais, except as otherwise disclosed)

NOTE 1 – OVERVIEW

Itaúsa – Investimentos Itaú S.A. (“ITAÚSA”) is a publicly held company, organized and existing under the laws of Brazil, and is located at Av. Paulista No. 1,938 5º andar, Bela Vista, in the city of São Paulo, SP, Brazil.

The corporate purpose of ITAÚSA is to hold equity interests in other companies, in Brazil or abroad, for investment in any sectors of the economy, including through investment funds, disseminating among its investees its principles of appreciation of human capital, governance, and ethics in business, and creation of value for its stockholders on a sustainable basis.

Through its controlled and joint-controlled companies and other investments, ITAÚSA operates in the following markets: financial services (Itaú Unibanco Holding), wood panels, bathroom porcelains, bathroom fixtures, ceramic tiles and electronic showers (Duratex), footwear, apparel and sports products (Alpargatas) – as shown in Note 25 “Segment Information”.

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family which holds 63.27% of the common shares and 18.58% of the preferred shares, making 33.94% of the total.

These individual and consolidated financial statements were approved by the ITAÚSA Board of Directors on August 12, 2019.

NOTE 2 – ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these individual and consolidated financial statements are set out below.

2.1 BASIS OF PREPARATION

The preparation of financial statements requires the Company’s management (“Management”) to use certain critical accounting estimates and to exercise judgment in the process of applying the accounting policies of ITAÚSA and its subsidiaries. The areas that require a higher degree of judgment and have greater complexity, as well as those in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.3.

Consolidated financial statements

The consolidated financial statements of Itaúsa and its subsidiaries (ITAÚSA CONSOLIDATED) were prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (“CPC”), as well as the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and contain all the information relevant to the financial statements, which is consistent with that used by board in its management.

Individual financial statements

The individual financial statements of the parent were prepared in accordance with the Brazilian accounting practices issued by the CPC and are published together with the consolidated financial statements and contain all the information relevant to the financial statements, which is consistent with that used by board in its management.

The presentation of the individual and consolidated statements of value added is required by Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to publicly held companies. The statement of value added was prepared in accordance with the criteria defined in the Technical Pronouncement CPC 09 – “Statement of Value Added”. IFRS does not require the presentation of such statement. As a consequence, under IFRS, the statement of value added is presented as supplementary information, without prejudice to the set of financial statements.

All references to the pronouncements of the CPC should also be understood as references to the corresponding IFRS pronouncements, and vice versa, and it should be noted that, in general, the early adoption of revisions or new IFRS is not possible in Brazil.

2.2 NEW PRONOUNCEMENTS, CHANGES TO AND INTERPRETATIONS OF EXISTING PRONOUNCEMENTS

a) Accounting pronouncements applicable

CPC 06 (R2) / IFRS 16 – “Leases”

This pronouncement replaces IAS 17 – Leases, as well as related interpretations (IFRIC 4, SIC 15, and SIC 27) and eliminates the accounting for operating lease agreements for the lessee, presenting one lease model only, which consists in (a) initially recognizing all leases in assets (Right-of-Use Asset) and liabilities (Lease Liabilities) at present value; and (b) recognizing the depreciation of the Right-of-Use Asset and the interest from lease separately in income.

The greatest impact from adopting CPC 06 (R2) in the financial statements of ITAÚSA, as of the transition date, derives from the effects determined by subsidiary Duratex and is related to the lease of rural land at the present value of R\$488.2 million. Other leases comprise administrative buildings, distribution centers and vehicles estimated at R\$13.4 million. These amounts were recorded in Right-of-Use Asset in assets and Lease Liabilities.

ITAÚSA and subsidiaries have adopted CPC 06/IFRS 16 by the modified retrospective transition method as of January 1, 2019, by using the following criteria: lease liabilities were measured at the present value of remaining payments, discounted at the incremental borrowing rate. Right-of-use assets were measured by the value equal to the lease liabilities, adjusted by prepaid or accumulated lease payment amounts related to these leases recorded in the balance sheet immediately before the date of initial application.

b) Accounting pronouncements issued recently applicable to future periods

The pronouncement below will come into force for periods after the date of these Financial Statements. It has not been adopted early by the company:

- Change in Conceptual Framework – In March, 2018, the IASB issued a review of the Conceptual Framework and the main changes refer to: definitions of assets and liabilities, recognition criteria, write-off, measurement, presentation and disclosure for equity elements and result. These changes are effective for the years started on January 1st, 2020 and possible impacts are being assessed and will be completed by the date they are in force.

There are no other IFRS standards or IFRIC interpretations that have not yet come into force and that could have a significant impact on the ITAÚSA and its subsidiaries.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the individual and consolidated financial statements in compliance with the CPCs requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the individual and consolidated account statements, as well as the reported amounts of revenue, expenses, gains and losses over the reporting and subsequent periods, because actual results may differ from those determined in accordance with these estimates and assumptions.

All estimates and assumptions made by Management are in compliance with the CPCs and represent the current best estimates made in compliance with the applicable rules. Estimates and judgments are evaluated on an ongoing basis, considering past experience and other factors.

The financial statements reflect a variety of estimates and assumptions. The critical accounting estimates and assumptions that have the most significant impact on the carrying amounts of assets and liabilities are described below:

a) Deferred income tax and social contribution

As explained in Note 2.4m, deferred tax assets are recognized only in relation to temporary differences and losses carried-forward to the extent that it is probable that ITAÚSA and its subsidiaries will generate future taxable profits for their utilization. The expected realization of the deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future income and other technical studies, as disclosed in Note 13. The carrying amount of deferred tax assets was R\$1,295 at June 30, 2019 (R\$ 1,294 at December 31, 2018).

b) Fair value of financial instruments, including derivatives

The fair value of financial instruments, including derivatives, is determined using valuation techniques. This calculation is based on assumptions that take into consideration Management's judgment regarding market information and conditions existing as at the balance sheet date.

ITAÚSA and its subsidiaries rank the fair value measurements using a fair value hierarchy that reflects the significance and observable nature of inputs adopted as part of the measurement process. There are three broad levels related to the fair value hierarchy, detailed in Note 27.

ITAÚSA and its subsidiaries believe that all of the methodologies they have adopted are appropriate and consistent with those used by other market participants. Regardless of this fact, the adoption of other methodologies or the use of different assumptions to estimate fair values may result in different fair value estimates.

The methodologies used to estimate the fair value of certain financial instruments are also described in Note 27.

c) Provisions, contingent assets and liabilities

ITAÚSA and its subsidiaries periodically review their contingencies. These contingencies are evaluated based on Management's best estimates, taking into account the opinion of legal counsel, when there is a likelihood that financial resources will be required to settle the obligations and the amounts may be reasonably estimated.

Contingencies classified as probable losses are recognized in the balance sheet under "Provision."

Contingent amounts are measured using appropriate models and criteria, despite uncertainty surrounding the ultimate timing and amounts, as detailed in Note 16.

The carrying amount of these contingencies at June 30, 2019 was R\$1,903 (R\$1,710 at December 31, 2018).

d) Risk of variations in the fair value of biological assets

ITAÚSA and its subsidiaries use several estimates to value their forestry reserves, in accordance with the methodology established by CPC 29/IAS 41 – "Agriculture". These estimates are based on market references, and are subject to changes that could impact on the consolidated financial information. Specifically, a 5% reduction in standing wood prices would result in a reduction in the fair value of biological assets to R\$51,6, net of tax effects. If the discount rate used were increased by 0.5%, this would result in a reduction in the fair value of biological assets of about R\$6,5, net of tax effects.

The methodologies used to estimate the fair value of biological assets are also described in Note 12.

e) Benefits of pension plans

The current value of assets related to pension plans depends on a number of factors that are determined based on actuarial calculations, which use several assumptions (Note 24b). Among the assumptions adopted to calculate these amounts are assumptions regarding the discount rate and the current market conditions. Any changes in these assumptions will affect the corresponding book values.

f) Estimated impairment of goodwill

ITAÚSA and its subsidiaries test goodwill on an annual basis or if there is an indication that the goodwill may be impaired, in compliance with the accounting policy presented in Note 2.4j. The balance could be impacted on by changes in the economic or market scenario.

2.4 SUMMARY OF MAIN ACCOUNTING PRACTICES

a) CONSOLIDATION AND EQUITY METHOD

I. Subsidiaries

In compliance with CPC 36 / IAS 27 – "Consolidated Financial Statements", subsidiaries are entities over which ITAÚSA holds control. ITAÚSA controls an entity when it is exposed to, or is entitled to, variable returns arising from its involvement with that entity and it is capable of influencing these returns.

The table below shows the fully consolidated subsidiaries and joint ventures that are accounted for under the equity method.

	Incorporation country	Activity	Interest in capital at 06/30/2019	Interest in capital at 12/31/2018
Joint ventures				
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	37.46%	37.55%
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Alpargatas S.A.	Brazil	Footwear, apparel and sports items	28.45%	27.55%
Full consolidation				
Duratex S.A.	Brazil	Wood panels, bathroom porcelains, bathroom fixtures, electronic showers, and ceramic tiles	36.66%	36.67%
Itaúsa Empreendimentos S.A.	Brazil	Service	100.00%	100.00%
Itautec S.A.	Brazil	Information technology	100.00%	98.93%
ITH Zux Cayman Ltd.	Cayman Islands	Holding	100.00%	100.00%

II. Business combinations

Accounting for business combinations under CPC 15 / IFRS 3 – “Business Combinations” is applicable when a business is acquired. Under CPC 15 / IFRS 3, a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of an integrated set of activities and assets that may be conducted and managed so as to provide a direct return, as dividends, lower costs or other economic benefits, to investors or other stockholders, members or participants. If there is goodwill inherent in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of businesses, accounting under the acquisitions method is required.

The acquisition cost is measured at the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition. Acquired assets and assumed liabilities and contingent liabilities identifiable in a business combination are initially measured at their fair value at the acquisition date, regardless of the existence of non-controlling interests. The excess of the acquisition cost over the fair value of identifiable net assets acquired is accounted for as goodwill.

The treatment of goodwill is described in Note 2.4 j. If the acquisition cost is lower than the fair value of the identifiable net assets acquired, the difference is recognized directly in income.

For each business combination, the acquirer should measure any non-controlling interest in the acquired company at the fair value or at an amount proportional to its interest in net assets of the acquired company.

III. Transactions with non-controlling interests

CPC 36 / IAS 27 – “Consolidated Financial Statements” establishes that changes in ownership interests in a subsidiary, that do not result in a change of control are accounted for as capital transactions and any difference between the amount paid and the carrying value of the stake held by non-controlling stockholders is recognized directly in consolidated stockholders' equity.

b) FOREIGN CURRENCY TRANSLATION

I. Functional and presentation currency

The consolidated financial statements of ITAÚSA and its subsidiaries are presented in Brazilian reais. The real is the functional currency of ITAÚSA and its subsidiaries, and the presentation currency of these consolidated financial statements. For each investment held, ITAÚSA and its subsidiaries have defined the functional currency, according to CPC 02 / IAS 21 – “The Effects of Changes in Foreign Exchange Rates and the Translation of Financial statements”.

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian real are translated as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at monthly average exchange rates;
- Exchange differences arising from translation are recorded in “Cumulative comprehensive income”.

II. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income under “financial result”.

For financial assets classified as available for sale, the exchange differences resulting from a change in the amortized cost of the instrument are recognized in the income statement, while those resulting from other changes in the carrying amount, except impairment losses, are recognized in “Other comprehensive income” until derecognition or impairment.

c) CASH AND CASH EQUIVALENTS

ITAÚSA and its subsidiaries define “cash and cash equivalents” as cash and deposits on demand (which comprise cash and current accounts in banks), securities and financial assets with original maturities equal or less than 90 days, as shown in Note 3.

d) FINANCIAL ASSETS

I. Classification

ITAÚSA and its subsidiaries classify their financial assets, upon initial recognition, depending on the characteristics of these assets’ cash flows and the business models used by the entity for financial assets management. The classifications used are as follows: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are assets whose cash flows characteristic corresponds only to the payment of principal and interest, and that are generated by a business model to obtain contractual cash flows of the instrument.

(b) Financial assets measured at fair value through other comprehensive income (FVTOCI)

Financial assets measured at fair value through other comprehensive income are assets whose cash flows characteristics also corresponds only to the payment of principal and interest and that are generated by a business model that involves both obtaining contractual cash flows and selling these instruments.

(c) Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets measured at fair value through profit or loss are assets whose cash flows characteristics do not correspond only to the payment of principal and interest or that are generated by a business model to be sold in the short-term (trading).

II. Recognition and measurement

Purchases and sales of financial assets are usually recognized as at the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not classified at measured at fair value through profit or loss. Financial assets are written off when the rights to receive cash flows have expired or have been transferred; in the latter case provided that ITAÚSA and its subsidiaries have substantially transferred all the risks and benefits of the property.

Financial assets measured at fair value through profit or loss and through other comprehensive income are subsequently accounted for at fair value, and the effects of the change in fair value are recognized, respectively, in profit or loss for the period or in other comprehensive income. Financial assets measured at amortized cost are accounted for at amortized cost, based on the effective interest rate method.

Upon the sale of debt bonds measured as fair value through other comprehensive income, the accumulated adjustments to fair value recognized at a separate account under stockholders’ equity (“Asset Valuation Adjustment”) are included in the statement of income as “Financial Result”. On the other hand, assets classified as FVTOCI will never have their effects from the measurement at fair value recognized in the statement of income, even if they are sold, and these amounts should be reclassified as retained earnings.

The fair values of investments with public quotations are based on current purchase prices. If the market for a financial asset (and securities not listed on a stock exchange) is not active, ITAÚSA and its subsidiaries establish the fair value based on valuation techniques. These techniques include the use of transactions recently carried out with third parties, reference to other instruments that are substantially similar, discounted cash flow analysis and option pricing models that make the greatest possible use of information generated by the market and that rely to the least extent possible on information generated by the company's Management itself.

III. Offsetting of financial instruments

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet solely when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them or to realize the asset and simultaneously settle the liability.

IV. Impairment of financial assets

ITAÚSA and its subsidiaries assess, at each balance sheet date, the need to recognize impairment losses for all financial assets measured at amortized cost and at fair value through other comprehensive income. This assessment excludes financial assets measured at fair value through profit or loss and equity instruments, even if these are classified as measured at fair value through other comprehensive income.

Impairment losses are calculated taking into account a number of factors, such as the credit status of each financial asset, the analysis of the economic or sector scenario, and the history of losses recognized in previous periods.

The amount of impairment loss is measured as the difference between the book value of assets and the present value of estimated future cash flows, discounted at the original interest rate of financial assets. The book value of the asset is reduced and the loss amount is recognized in the statement of income. If a financial asset has a variable interest rate, the discount rate used to measure an impairment loss will be the effective interest rate adjusted according to the agreement. If, in a subsequent period, the amount of the impairment loss decreases, the reversal of this previously recorded loss will be recorded in the statement of income.

e) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value, on the date when the derivative agreement is entered into, and are subsequently remeasured at fair value through the results.

Derivatives are contracted as a form of financial risk management, and the ITAÚSA policy is not to enter into leveraged derivative transactions.

Although the Company does not have a hedge accounting policy, it has designated certain debts at fair value through profit or loss, because of the existence of derivative financial assets directly related to loans, as a means of avoiding the recognition of gains and losses in different periods.

f) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded and maintained at the nominal value of the amounts obtained on sales of products, plus exchange variations, where applicable. Trade accounts receivable, substantially, relate to short-term operations and are, therefore, not discounted to present value as no significant adjustment would arise therefrom. The fair value of these accounts receivable is estimated to be basically similar to its book value. The provision for doubtful receivables (allowance for doubtful accounts or impairment) is constituted based on the analysis of risks regarding the realization of the credits receivable, in amounts considered sufficient by management to cover potential losses on the realization of these assets.

Recoveries of written-off items are credited to "Other operating income", in the statement of income.

g) INVENTORY

Inventories are stated at the average cost of purchase or production, lower than replacement cost or net realizable value, whichever is lower. Imports in transit are stated at the cost of each import.

The cost of finished goods and products in progress comprises raw materials, direct labor, other direct costs and the respective direct production costs (based on normal capacity).

The net realizable value is the selling price estimated in the ordinary course of business, deduct the estimated selling completion and disposal costs.

h) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

I. Associates

In conformity with CPC 18 / IAS 28 – Investments in Associates and Joint Ventures, associates are companies in which the investor has a significant influence but does not hold control. Investments in these companies are initially recognized at cost of acquisition and subsequently accounted for using the equity method. Investments in associates and joint ventures include the goodwill identified upon acquisition, net of any cumulative impairment loss.

II. Joint ventures

In accordance with CPC 19 / IAS 31 – “Investments in Joint Businesses”, investments in joint businesses are classified as joint operations or joint ventures.

The classification depends on the contractual rights and obligations held by each investor, rather than the legal structure of the joint business.

The share of ITAÚSA and its subsidiaries, in the profits or losses of their unconsolidated companies after acquisition is recognized in the consolidated statement of income. The share of changes in the reserves of corresponding stockholders' equity of their unconsolidated companies is recognized in their own reserves in stockholders' equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the share of ITAÚSA and its subsidiaries in the losses of an unconsolidated company is equal to or above their interest in the unconsolidated company, including any other receivables, ITAÚSA and its subsidiaries do not recognize additional losses, unless they have incurred any obligations or made payments on behalf of the unconsolidated company.

Unrealized gains on transactions between ITAÚSA and its subsidiaries and its unconsolidated companies are eliminated to the extent of the interest of ITAÚSA and its subsidiaries. Unrealized losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of unconsolidated companies have been changed, when necessary, to ensure consistency with the policies adopted by ITAÚSA and its subsidiaries.

If the interest in the unconsolidated company decreases, but ITAÚSA and its subsidiaries retains significant influence, only the proportional amount of the previously recognized amounts in “Other comprehensive income” is reclassified in joint control income, when appropriate.

Gains and losses from dilution arising from investments in unconsolidated companies are recognized in the consolidated statement of income under “Share of income in associates and joint ventures”.

As from the third quarter of 2018, ITAÚSA recognizes the effects of hyperinflation in Argentina arising from its joint-controlled subsidiaries (Itaú Unibanco Holding and Alpargatas), in conformity with CPC 42 / IAS 29 – Financial Reporting in Hyperinflationary Economies.

i) FIXED ASSETS

In accordance with CPC 27 / IAS 16 – “Property, Plant and Equipment”, fixed assets are recognized at cost of acquisition deduct of the accumulated depreciation, which is calculated using the straight-line method and rates based on the estimated useful lives of these assets. These rates are presented in Note 9.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

ITAÚSA and its subsidiaries review their assets in order to identify whether any indication of impairment exists. If such indications are identified, fixed assets are tested for impairment. In accordance with CPC 01 / IAS 36 – “Impairment of Assets”, impairment losses are recognized at the amount for which the carrying amount of the asset (or group of assets) exceeds the recoverable amount, and they are recognized in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flow can be identified (cash-generating units.). The assessment can be made at an individual asset level when the fair value less cost to sell can be determined reliably.

Gains and losses on disposals of fixed assets are recognized in the consolidated statement of income under “Other (losses)/gains, net”.

j) GOODWILL

In accordance with CPC 15 / IFRS 3 – “Business Combinations”, goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets and liabilities of the entity acquired at the date of acquisition. Goodwill is not amortized, but its recoverable amount is tested for impairment annually or when there is any indication of impairment, using an approach that involves the identification of cash-generating units and estimates of fair value less cost to sell and/or value in use.

As defined in CPC 01 / IAS 36 – “Impairment of Assets”, a cash-generating unit is the lowest identifiable group of assets that generates cash flow that is independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination.

CPC 01 / IAS 36 determines that an impairment loss shall be recognized for a cash-generating unit if the recoverable amount of the cash-generating unit is less than its carrying amount. The loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis applied to the carrying amount of each asset. The loss cannot reduce the carrying amount of an asset below the higher of its fair value less costs to sell or its value in use. The impairment losses on goodwill cannot be reversed.

The goodwill of unconsolidated companies is reported as part of the investments in the consolidated balance sheet under “Investments in associates and joint ventures”, and the impairment testing is carried out in relation to the total balance of the investments (including goodwill).

k) INTANGIBLE ASSETS – OTHER INTANGIBLE ASSETS

Intangible assets are non-physical assets, including software and other assets, and are initially recognized at cost. Intangible assets are recognized when they arise from legal or contractual rights, their costs can be reliably measured, and if, in the case of intangible assets not arising from separate acquisitions or business combinations, it is probable that future economic benefits will arise from their use. The balance of intangible assets relates to assets acquired or internally generated.

Intangible assets may have finite or indefinite useful lives. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested annually in order to identify any indication of impairment.

ITAÚSA and its subsidiaries assess their intangible assets annually in order to identify whether any indications of impairment exist, as well as the possible reversal of previous impairment losses. If any such indications are found, intangible assets are tested for impairment. In accordance with CPC 01 / IAS 36, impairment losses are recognized as the difference between the carrying and recoverable amount of an asset (or group of assets) in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flow can be separately identified (the cash-generating unit level). The assessment can be made at an individual asset level when the fair value less cost to sell can be determined reliably.

As provided for in CPC 4 / IAS 38 – “Intangible Assets”, ITAÚSA and its subsidiaries have chosen the cost model to measure their intangible assets after their initial recognition.

l) BIOLOGICAL ASSETS

Forest reserves are recognized at their fair value, less estimated costs to sell at harvest time, in accordance with Note 12. For immature plantations (up to one year of life), their cost is considered to be close to their fair value. Gains and losses arising from the recognition of a biological asset at its fair value, deduct of the costs to sell, are recognized in the statement of income. The depletion appropriated in the statement of income is formed by the portion of the formation cost and the portion related to the difference of the fair value.

Formation costs of these assets are recognized in income as incurred.

m) INCOME TAX AND SOCIAL CONTRIBUTION

There are two components of the provision for income tax and social contribution: current and deferred.

The current income tax expense approximates the taxes to be paid or recovered for the applicable period. Current assets and liabilities are recorded in the balance sheet under “Tax assets – income tax and social contribution - current” and “Tax liabilities – income tax and social contribution - current”, respectively.

The deferred income tax and social contribution represent deferred tax assets and liabilities, and are based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year-end. Deferred tax assets, including those arising from tax losses, are only recognized when it is probable that future taxable income will be available for offsetting. Deferred tax assets and liabilities are recognized in the balance sheet under “Tax assets – income tax and social contribution – deferred” and “Tax liabilities – income tax and social contribution – deferred”, respectively.

Income tax and social contribution expenses are recognized in the consolidated statement of income under “Income tax and social contribution”, except when they relate to items directly recognized in “Cumulative comprehensive income”, such as: deferred tax on the fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. Deferred taxes on such items are initially recognized in “Cumulative comprehensive income” and subsequently recognized in “Income” together with the recognition of the gain/loss originally deferred.

Changes in tax legislation and tax rates are recognized in the consolidated statement of income under “Income tax and social contribution” in the period in which they are enacted. Interest and fines are recognized in the consolidated statement of income under “Financial expenses”. Income tax and social contribution are calculated at the rates shown below, considering the respective taxable bases, based on the current legislation related to each tax, which, in the case of the operations in Brazil, are equal for all the reporting periods as follows:

Income tax	15%
Additional income tax	10%
Social contribution	9%

In order to determine the proper level of provision for taxes to be maintained for uncertain tax positions, a two-phase approach has been applied, according to which a tax benefit is recognized if it is more probable than not that a position can be sustained. The benefit amount is then measured as the highest tax benefit when its probability of realization is over 50%.

n) EMPLOYEE BENEFITS

Pension plans – defined contribution

The subsidiaries of ITAÚSA offer a defined contribution plan to all employees, managed by Fundação Itaúsa Industrial. The plan regulations provide for contributions by sponsors that range from 50% to 100% of the amount contributed by the employees. ITAÚSA and its subsidiaries have offered this defined contribution plan to their employees in the past, but this plan is being extinguished and no new participants can be enrolled.

Regarding the defined contribution plan, there is no additional payment obligation after the contribution is made. Contributions are recognized as expenses for employee benefits, when due. Contributions made in advance are recognized as an asset in the proportion in which these contributions cause an effective reduction in future payments.

o) STOCK-BASED COMPENSATION

Stock-based compensation is accounted for in accordance with CPC 10 / IFRS 2 – “Share Based Payment”, which requires an entity to measure the value of equity instruments granted, based on their fair value as at the grant dates of the options. This cost is recognized during the vesting period of the right to exercise the instruments.

The total amount to be expensed is determined with reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (notably an employee remaining with the entity over a specified time period). The fulfillment of non-market vesting conditions is included among the assumptions regarding the number of options that are expected to be exercised. At the end of each period the entity revises its estimates regarding the number of options that are expected to be exercised based on non-market vesting conditions. It recognizes the impact of revision to the original estimates, if any, in the statement of income, with a corresponding adjustment to the stockholders' equity.

When the options are exercised, the subsidiaries generally deliver treasury shares to the beneficiaries.

The fair value of stock options is estimated using option pricing models that take into account the exercise price of the option, the current stock price, the risk-free interest rate, the expected volatility of the stock price and the life-span of the option.

All stock-based compensation plans established by subsidiaries correspond to plans that can be settled exclusively through the delivery of shares (Note 18).

p) LOANS AND FINANCING

Borrowing is initially recognized at its fair value when funds are received, net of transaction costs, and subsequently stated at amortized cost – that is, with the addition of charges and interest proportional to the period that has elapsed (calculated on a pro rata basis), using the effective interest rate method, except for borrowing that is hedged by derivative instruments, which is stated at fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset in respect of which a substantial period of time is required to prepare it for its intended use or sale, are capitalized as part of the cost of the asset when it is probable that these costs will result in future economic benefits to the entity that can be reliably measured. Other borrowing costs are recognized as expenses in the year in which they are incurred.

q) CAPITAL AND TREASURY SHARES

Capital

Common and preferred shares are classified in stockholders' equity. The additional costs directly attributable to the issue of new shares are included in stockholders' equity as a deduction from the amount raised, net of taxes.

Treasury shares

Common and preferred shares that are repurchased are recorded in stockholders' equity under "Treasury shares" at their average purchase prices.

Treasury shares that are subsequently sold, such as those sold to grantees under ITAÚSA's stock option plan, are recorded as a reduction in "treasury shares", measured at the average price of treasury stock held at that date.

The difference between the sale price and the average price of the treasury shares is recorded as a reduction or an increase in "Additional paid-in capital" depending upon the circumstances. The cancellation of treasury shares is recorded as a reduction in treasury shares against appropriated reserves, at the average price of the treasury shares at the cancellation date.

r) DIVIDENDS AND INTEREST ON CAPITAL

Pursuant to the Company's bylaws, the stockholders are entitled to a mandatory minimum dividend of 25% of the net income for the year, in the form of quarterly payments, adjusted in accordance with the legislation in force. Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each quarter. Any other amount above the mandatory minimum dividend is accounted for as a liability when it is approved by the stockholders at a Stockholder's Meeting.

Since January 1, 1996, Brazilian companies have been permitted to apply a tax-deductible nominal interest rate charge on net equity (called interest on capital). For accounting purposes interest on capital is treated as a dividend and is presented as a reduction of stockholders' equity in the financial statements. The related tax benefit is recorded in the statement of income.

s) EARNINGS PER SHARE

Earnings per share are computed by dividing the net income attributable to the owners of ITAÚSA by the weighted average number of common and preferred shares outstanding for each reporting period. The weighted average number of shares is computed based on the periods for which the shares were outstanding.

Earnings per share are presented based on the two types of stock issued by ITAÚSA. Both types, common and preferred, participate in dividends on substantially the same basis, except that preferred shares are entitled to a priority non-cumulative minimum annual dividend of R\$ 0.01 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA after giving effect to the preference indicated above, without regard to whether the earnings will ultimately be fully distributed. Earnings per share amounts have been determined as if all earnings had been distributed and computed following the requirements of CPC 41 / IAS 33 – “Earnings per Share”.

t) REVENUE

Revenue comprises the fair value of the proceeds received or receivable from the sale of products in the normal course of business of ITAÚSA and its subsidiaries. Revenue is recorded net of taxes, returns, discounts and rebates granted, as well as of the eliminations of sales between the group companies. It is recognized when such value may be measured with accuracy, when it is probable that future economic benefits will flow into the entity and when specific criteria, as detailed below, are met for every activity.

I. Sale of Products

These are recorded in income upon delivery of products, as well as at the time risks and benefits are transferred to the purchaser.

II. Financial Income

Financial income is recorded over time based on the effective interest method. When an impairment is identified for a financial instrument, ITAÚSA and its subsidiaries reduce the carrying amount to its recoverable amount, which corresponds to the estimated future cash flows, discounted at the original effective interest rate of such instrument.

u) SEGMENT INFORMATION

CPC 22 / IFRS 8 – “Segment Information” determines that operating segments must be disclosed consistently with the information provided to the chief operating decision-maker, who is the person or group of persons who allocates resources to the segments and assesses their performance. ITAÚSA considers that its Board of Directors is the chief operating decision-maker.

ITAÚSA has the following business segments: the Financial Area and the non-financial Area, subdivided into Alpargatas and Duratex.

Segmental information is presented in Note 25.

NOTE 3 - CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flow, cash and cash equivalents include the following items (amounts with original maturity terms that are equal to or less than 90 days):

	06/30/2019	12/31/2018
Cash and deposits on demand	101	174
Investments in fixed income and investment funds	1,082	1,238
Bank deposit certificates	1,022	1,009
Total	2,205	2,421

NOTE 4 – FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

	06/30/2019	12/31/2018
Investment - NTS (*)	1,082	1,030
Total	1,082	1,030

(*) It refers to the 7.65% interest of ITAÚSA in the capital of Nova Transportadora do Sudeste S.A. - NTS acquired on April 4, 2017.

NOTE 5 - TRADE ACCOUNTS RECEIVABLE

Trade Accounts Receivable	06/30/2019	12/31/2018
Domestic customers	1,034	1,070
Foreign customers	166	182
Related parties	25	39
Impairment	(66)	(76)
Total	1,159	1,215

The balances of accounts receivable by maturity are as follows:

Maturities	06/30/2019	12/31/2018
Current	1,022	1,092
Past-due up to 30 days	71	66
From 31 to 60 days	30	31
From 61 to 90 days	13	13
From 91 to 180 days	24	16
More than 180 days	65	73
Total	1,225	1,291

We present below the changes in the provision for expected loan losses:

	06/30/2019	12/31/2018
Opening balance	(76)	(109)
Constitution of provision	(5)	(15)
Write-offs	15	19
Write-off - Elekeiroz	-	29
Closing Balance	(66)	(76)

NOTE 6 - OTHER ASSETS AND LIABILITIES**a) Other assets**

	06/30/2019			12/31/2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Other financial assets						
Deposits as guarantees for contingent liabilities	-	104	104	-	96	96
Dividends and interest on stockholders' equity receivable	520	-	520	90	-	90
Amounts receivable from the sale of fixed assets ⁽¹⁾	325	33	358	284	13	297
Retirement plan assets (Note 24)	-	109	109	5	111	116
Acquisition escrow accounts	2	30	32	3	56	59
Forest incentives	-	10	10	-	10	10
Electricity sales	8	-	8	1	-	1
Sale of Elekeiroz shares	-	-	-	-	13	13
Indemnifiable assets	-	26	26	-	-	-
Other amounts receivable	11	30	41	11	65	76
Total	866	342	1,208	394	364	758
Other non-financial assets						
Prepaid expenses	16	-	16	8	-	8
Investment property	-	23	23	-	24	24
Held-for-sale assets	-	6	6	-	35	35
Other	-	5	5	-	4	4
Total	16	34	50	8	63	71

(1) Refers, substantially, to sale of farms owned by Duratex Florestal

b) Other liabilities

	06/30/2019			12/31/2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Suppliers	389	-	389	438	-	438
Personnel provision	150	31	181	281	-	281
Accounts payable (from SCPs) to shareholders (*)	35	94	129	27	94	121
Advances from customers	9	6	15	21	6	27
Acquisitions of companies	33	33	66	34	32	66
Freight and insurance payable	17	-	17	17	-	17
Commission payable	9	-	9	9	-	9
Acquisitions of reforestation areas	5	-	5	6	-	6
Product warranty and technical support	26	5	31	-	4	4
Commercial leasing	-	9	9	-	9	9
Liabilities provided with joint operation partner	-	38	38	-	35	35
Liabilities payable - NTS	-	298	298	-	296	296
Other	68	2	70	10	-	10
Total	741	516	1,257	843	476	1,319

(*) SCPs: Partnerships in which some partners are passive

NOTE 7 – INVENTORY

	06/30/2019	12/31/2018
Raw materials	281	260
Finished products	414	324
Work in progress	154	124
Showrooms	126	116
Advances to suppliers	6	1
Allowance for inventory losses	(30)	(27)
Total	951	798

At June 30, 2019 and December 31, 2018, the subsidiaries of ITAÚSA did not have any inventory pledged as collateral.

NOTE 8 – INVESTMENTS

I) ITAÚSA

a) Subsidiaries and joint ventures stockholder' equity

Stockholders' equity	Joint Ventures			Subsidiaries			
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Alpargatas S.A.	Duratex S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.
Stockholders' equity at 12/31/2017							
Capital	97,148	13,500	648	1,962	56	262	42
Treasury shares	(2,743)	-	(64)	(28)	-	-	-
Carrying value adjustments	(3,486)	(1,134)	(149)	417	-	-	-
Reserves	38,529	21,165	1,751	2,364	-	43	-
Other	1,930	-	-	-	(23)	-	(40)
Balance at 12/31/2017	131,378	33,531	2,186	4,715	33	305	2
Changes from 01/01 to 06/30/2018							
Net income	(5,042)	(1,385)	(56)	281	(1)	(3)	-
Treasury shares	12,129	(444)	137	197	(1)	(3)	-
Dividends and interest on capital	239	-	-	-	-	-	-
Other comprehensive income	(16,157)	(514)	(170)	-	-	-	-
Other	(812)	(214)	(18)	88	-	-	-
Other	(441)	(213)	(5)	(4)	-	-	-
Stockholders' equity at 06/30/2018							
Capital	97,148	16,000	648	1,962	56	262	47
Treasury shares	(1,978)	-	(64)	(27)	-	-	-
Carrying value adjustments	(3,444)	(1,123)	(167)	505	-	-	-
Reserves	32,828	17,269	1,713	2,556	-	40	-
Other	1,782	-	-	-	(24)	-	(45)
Balance at 06/30/2018	126,336	32,146	2,130	4,996	32	302	2
Stockholders' equity at 12/31/2018							
Capital	97,148	16,000	648	1,962	56	262	44
Treasury shares	(1,820)	-	(64)	(26)	-	-	-
Carrying value adjustments	(3,812)	(1,220)	(76)	454	-	-	-
Reserves	43,146	20,063	1,873	2,245	-	45	-
Other	2,120	-	-	-	(30)	-	(42)
Balance at 12/31/2018	136,782	34,843	2,381	4,635	26	307	2
Changes from 01/01 to 06/30/2019							
Net income	(6,868)	(1,258)	76	93	(6)	3	-
Treasury shares	13,274	3,464	86	93	(6)	3	-
Dividends and interest on capital	495	-	-	-	-	-	-
Other comprehensive income	(20,707)	(4,649)	-	-	-	-	-
Other	84	23	(15)	(4)	-	-	-
Other ⁽¹⁾	(14)	(96)	5	4	-	-	-
Stockholders' equity at 06/30/2019							
Capital	97,148	16,000	1,500	1,962	56	262	44
Treasury shares	(1,325)	-	(64)	(26)	-	-	-
Carrying value adjustments	(3,728)	(1,197)	(91)	450	-	-	-
Reserves	35,909	18,782	1,112	2,342	-	48	-
Other	1,910	-	-	-	(36)	-	(42)
Balance at 06/30/2019	129,914	33,585	2,457	4,728	20	310	2

(1) Includes Argentina's hyperinflation adjustment.

b) Interest in capital of subsidiaries and joint ventures

Below is the composition of the share capital of subsidiaries and joint ventures, and the quantities held by ITAÚSA:

Interest in capital	Joint Ventures			Subsidiaries			
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Alpargatas S.A.	Duratex S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.
Common shares in circulation at 12/31/2018	4,958,290,359	710,454,184	241,608,525	689,467,756	11,072,186	2,186,700	12,200,000
Shares of capital	4,958,290,359	710,454,184	241,608,551	691,784,501	11,072,186	2,186,700	12,200,000
Treasury shares	-	-	(26)	(2,316,745)	-	-	-
Preferred shares in circulation at 12/31/2018	4,762,230,563	350,942,273	221,444,849	-	-	-	-
Shares of capital	4,845,844,989	350,942,273	228,841,226	-	-	-	-
Treasury shares	(83,614,426)	-	(7,396,377)	-	-	-	-
Outstanding shares at 12/31/2018	9,720,520,922	1,061,396,457	463,053,374	689,467,756	11,072,186	2,186,700	12,200,000
Number of shares owned by ITAÚSA at 12/31/2018	1,944,075,803	706,169,365	127,591,556	252,807,715	10,953,371	2,186,700	12,200,000
Common shares	1,943,906,480	355,227,092	103,623,035	252,807,715	10,953,371	2,186,700	12,200,000
Preferred shares	169,323	350,942,273	23,968,521	-	-	-	-
Direct interest at 12/31/2018							
Interest in capital	20.00%	66.53%	27.55%	36.67%	98.93%	100.00%	100.00%
Interest in voting capital	39.21%	50.00%	42.89%	36.67%	98.93%	100.00%	100.00%
Common shares in circulation at 06/30/2019	4,958,290,359	710,454,184	302,010,657	689,608,150	11,072,186	2,186,700	12,200,000
Shares of capital	4,958,290,359	710,454,184	302,010,689	691,784,501	11,072,186	2,186,700	12,200,000
Treasury shares	-	-	(32)	(2,176,351)	-	-	-
Preferred shares in circulation at 06/30/2019	4,784,962,909	350,942,273	276,806,062	-	-	-	-
Shares of capital	4,845,844,989	350,942,273	286,051,533	-	-	-	-
Treasury shares	(60,882,080)	-	(9,245,471)	-	-	-	-
Outstanding shares at 06/30/2019	9,743,253,268	1,061,396,457	578,816,719	689,608,150	11,072,186	2,186,700	12,200,000
Number of shares owned by ITAÚSA at 06/30/2019	1,944,075,803	706,169,365	164,678,894	252,807,715	11,072,186	2,186,700	12,200,000
Common shares	1,943,906,480	355,227,092	129,528,793	252,807,715	11,072,186	2,186,700	12,200,000
Preferred shares	169,323	350,942,273	35,150,101	-	-	-	-
Direct interest at 06/30/2019							
Interest in capital	(1) 19.95%	66.53%	28.45%	36.66%	100.00%	100.00%	100.00%
Interest in voting capital	(2) 39.21%	50.00%	42.89%	36.66%	100.00%	100.00%	100.00%

(1) Itaúsa holds a direct interest in Itaú Unibanco Holding S.A. of 19.95% and an indirect interest of 17.51% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A. (IUPAR), which holds a 26.32% direct interest in Itaú Unibanco Holding S.A., totaling 37.46% interest in the capital.

(2) The direct interest in the common shares of Itaú Unibanco Holding S.A. is 39.21% and the indirect interest is 25.86% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A. (IUPAR), which holds a 51.71% direct interest in the common shares of Itaú Unibanco Holding S.A., totaling 65.06% of the voting capital.

Merger of shares in Itautec – Grupo Itautec S.A. completed

The merger of shares in Itautec – Grupo Itautec S.A. into ITAÚSA was completed on June 14, 2019. This transaction was approved by the stockholders of both companies at the respective General Stockholders' Meetings held on April 30, 2019. Itautec's stockholders are now the holders of the same number of preferred shares issued by ITAÚSA (ITSA4). For this purpose, ITAÚSA issued 118,815 preferred shares (ITSA4), ending up with the dilution of 0.001% for Itaúsa's stockholders. These shares are now entitled to all earnings declared as of that date. ITAÚSA's stockholders exercising their right to dissent and appraisal ensued the acquisition of 1,873 common shares for treasury (Note 17).

c) Change in investments

Investments	Joint Ventures			Subsidiaries					Total
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Alpargatas S.A	Duratex S.A.	Elekeiroz S.A.	Itaotec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.	
Investment balance at 12/31/2017									
Interest in capital	26,339	22,308	602	1,723	146	32	304	2	51,456
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable net assets	68	-	548	-	-	-	-	-	616
Goodwill	460	-	599	-	-	-	-	-	1,059
Balance at 12/31/2017	26,855	22,308	1,749	1,723	146	32	304	2	53,119
Changes from 01/01 to 06/30/2018	(1,058)	(921)	(40)	102	(146)	(1)	(3)	-	(2,067)
Share of income	4,975	(296)	12	72	32	(1)	(3)	-	4,791
Dividends and interest on capital	(5,710)	(342)	(46)	-	-	-	-	-	(6,098)
Sale of investments	-	-	-	-	(178)	-	-	-	(178)
Other comprehensive income	(161)	(143)	(5)	32	-	-	-	-	(277)
Other	(162)	(140)	(1)	(2)	-	-	-	-	(305)
Investment balance at 06/30/2018	25,287	21,387	587	1,825	-	31	301	2	49,420
Interest in capital	25,287	21,387	587	1,825	-	31	301	2	49,420
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable net assets	62	-	523	-	-	-	-	-	585
Goodwill	460	-	599	-	-	-	-	-	1,059
Balance at 06/30/2018	25,797	21,387	1,709	1,825	-	31	301	2	51,052
Market value at 06/30/2018 ⁽¹⁾	97,942	-	1,544	2,184	-	165	-	-	101,835
Investment balance at 12/31/2018									
Interest in capital	27,356	23,182	656	1,694	-	25	306	2	53,221
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable net assets	57	-	485	-	-	-	-	-	542
Goodwill	460	-	599	-	-	-	-	-	1,059
Balance at 12/31/2018	27,861	23,182	1,740	1,694	-	25	306	2	54,810
Changes from 01/01 to 06/30/2019	(1,440)	(837)	114	33	-	(5)	3	-	(2,132)
Share of income	2,756	2,305	23	34	-	(6)	2	-	5,114
Dividends and interest on capital	(4,142)	(3,093)	-	-	-	-	-	-	(7,235)
Purchase of shares	-	-	95 ⁽³⁾	-	-	1	-	-	96
Other comprehensive income	17	15	(4)	(1)	-	-	-	-	27
Other ⁽²⁾	(71)	(64)	-	-	-	-	1	-	(134)
Investment balance at 06/30/2019	25,922	22,360	699	1,727	-	20	309	2	51,039
Interest in capital	25,922	22,360	699	1,727	-	20	309	2	51,039
Unrealized income (loss)	(12)	(15)	-	-	-	-	-	-	(27)
Fair value - identifiable net assets	51	-	484	-	-	-	-	-	535
Goodwill	460	-	671	-	-	-	-	-	1,131
Balance at 06/30/2019	26,421	22,345	1,854	1,727	-	20	309	2	52,678
Market Value of the Stake at 06/30/2019 ⁽¹⁾	132,350	-	3,255	2,988	-	-	-	-	138,593

(1) Disclosed only for public companies.

(2) Includes Argentina's hyperinflation adjustment.

(3) On May 24, 2019, ITAÚSA acquired on B3 (over-the-counter market) 5,189,450 preferred shares in Alpargatas for the total amount of R\$95. These acquired shares account for 0.90% of Alpargatas' total stock, with ITAÚSA now holding a 28.45% interest (excluding treasury shares) therein. ITAÚSA set off the purchase price allocation process by factoring in the interest in net assets and liabilities stated at fair value, the consideration paid by Itaúsa, and goodwill on future profitability.

II) ITAÚSA CONSOLIDATED

a) Composition of investments in associates and jointly controlled entities

Investments	Joint Ventures			Associates	Total
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Alpargatas S.A.		
Share of income from 01/01 to 06/30/2018	4,975	(296)	12	-	4,691
Investment balance at 12/31/2018	27,861	23,182	1,740	48	52,831
Share of income from 01/01 to 06/30/2019	2,756	2,305	23	-	5,084
Investment balance at 06/30/2019	26,421	22,345	1,854	48	50,668

b) Other information

The table below shows a summary of the financial information of the investees accounted for under the equity method:

Assets and liabilities ^(*)	06/30/2019	12/31/2018
Assets	1,566,338	1,552,802
Cash and deposits on demand	33,242	37,159
Financial assets	881,668	888,785
Loan operations and lease operations portfolio	556,358	536,091
Tax assets	40,406	42,835
Other assets	54,664	47,932
Liabilities	1,424,418	1,403,558
Financial Liabilities	1,154,575	1,151,232
Reserves for insurance and private pensions	209,687	201,187
Civil, labor, tax and social security lawsuits	18,164	18,613
Other liabilities	41,992	32,526

(*) Basically represented by Itaú Unibanco Holding.

Other Financial Information - Itaú Unibanco Holding	01/01 to 06/30/2019	01/01 to 06/30/2018
Interest and similar income	69,899	65,196
Interest and similar expenses	(39,084)	(33,308)
Net income before income tax and social contribution	19,129	11,938
Income tax and social contribution ^(*)	(5,536)	513
Net income	13,593	12,451
Net income attributable to the owners of the parent company	13,274	12,129
Other comprehensive income	84	(812)
Total comprehensive income	13,358	11,317

(*) On June 30, 2018, the temporary effects brought about by Law No. 13,169/15, which raised the social contribution rate to 20% from 15% up to December 31, 2018, were included, and deferred tax assets were accounted for based on their expected realization. On June 30, 2019 and December 31, 2018, there are no unrecognized deferred tax assets. On June 30, 2019, the effects arising from the end of this temporary rise in the social contribution rate, as it was returned to its 15% level, were included.

c) Usufruct of part of shares held by IUPAR terminated

In November 2008, upon the Itaú and Unibanco merger, ITAÚSA and the Moreira Salles Family granted IUPAR (the company incorporated to control Itaú Unibanco) shares of Itaú Unibanco's capital stock, under the establishment of usufruct rights to dividends / interest on capital for a 10-year period, which expired in November 2018. ITAÚSA's indirect interest in the capital of Itaú Unibanco under the usufruct established up to November 2018 represented a 15.3% stake. After the usufruct expires, PIS/COFINS will be levied on the interest on capital amounts received by IUPAR from Itaú Unibanco.

NOTE 9 – FIXED ASSETS

Fixed Assets	Land	Buildings and Improvements	Equipment and facilities	Furniture and fixtures	Vehicles	Assets under development or construction	Other assets	Total
Balance at 12/31/2017								
Cost	760	1,179	4,813	64	64	144	223	7,247
Accumulated depreciation	-	(479)	(2,688)	(43)	(53)	-	(139)	(3,402)
Impairment	-	(12)	(181)	(1)	-	(8)	26	(176)
Net book value	760	688	1,944	20	11	136	110	3,669
Changes from 01/01 to 06/30/2018								
Acquisitions	8	5	21	1	1	68	6	110
Write-offs	(56)	-	(4)	-	-	-	-	(60)
Depreciation	-	(17)	(129)	(2)	(1)	-	(9)	(158)
Transfers	(56)	6	56	-	-	(99)	4	(89)
Other	15	12	28	-	-	-	1	56
Sale of Elekeiroz shares	(10)	(4)	(37)	-	-	(11)	(28)	(90)
Balance at 06/30/2018								
Cost	661	1,145	4,351	60	63	94	229	6,603
Accumulated depreciation	-	(455)	(2,472)	(41)	(52)	-	(145)	(3,165)
Net book value	661	690	1,879	19	11	94	84	3,438
Annual depreciation rates (%)	-	4%	5% to 20%	10%	10%	-	4% to 20%	
Balance at 12/31/2018								
Cost	656	1,145	4,399	61	66	107	234	6,668
Accumulated depreciation	-	(473)	(2,606)	(43)	(53)	-	(155)	(3,330)
Net book value	656	672	1,793	18	13	107	79	3,338
Annual depreciation rates (%)	-	4%	5% to 20%	10%	10%	-	4% to 20%	
Changes from 01/01 to 06/30/2019								
Acquisitions	43	4	27	1	2	98	5	180
Write-offs	(2)	(8)	(12)	-	-	-	(1)	(23)
Depreciation	-	(18)	(136)	(2)	(1)	-	(10)	(167)
Transfers	-	4	51	3	1	(64)	4	(1)
Other	(2)	1	1	-	(1)	-	1	-
Balance at 06/30/2019								
Cost	695	1,137	4,459	67	69	141	230	6,798
Accumulated depreciation	-	(482)	(2,735)	(47)	(55)	-	(152)	(3,471)
Net book value	695	655	1,724	20	14	141	78	3,327
Annual depreciation rates (%)	-	4%	5% to 20%	10%	10%	-	4% to 20%	

NOTE 10 – INTANGIBLE ASSETS

Intangible Assets	Software	Trademarks and patents	Goodwill for future profitability	Customer portfolio	Total
Balance at 12/31/2017					
Cost	108	64	359	412	943
Accumulated amortization	(68)	-	-	(215)	(283)
Impairment	(1)	-	-	-	(1)
Net value	39	64	359	197	659
Change from 01/01 to 06/30/2018					
Acquisitions	10	-	9	-	19
Amortization expense	(4)	(1)	-	(14)	(19)
Impairment	(2)	-	-	-	(2)
Other	-	-	-	2	2
Balance at 06/30/2018					
Cost	107	64	368	415	954
Accumulated amortization	(64)	(1)	-	(230)	(295)
Net value	43	63	368	185	659
<i>Annual amortization rates</i>	20%	-	-	6.67%	
Balance at 12/31/2018					
Cost	122	57	156	400	735
Accumulated amortization	(68)	(1)	-	(243)	(312)
Net value	54	56	156	157	423
Changes from 01/01 to 06/30/2019					
Acquisitions	8	-	-	-	8
Amortization expense	(4)	-	-	(13)	(17)
Balance at 06/30/2019					
Cost	129	56	156	400	741
Accumulated amortization	(71)	-	-	(256)	(327)
Net value	58	56	156	144	414
<i>Annual amortization rates</i>	20%	-	-	6.67%	

Goodwill for future profitability is a result of the following acquisitions:

	06/30/2019	12/31/2018
Acquisitions		
Thermosystem	20	20
Cerâmica Monte Carlo	20	20
Deca Nordeste	17	17
Ceusa e Massima	99	99
Net value	156	156

NOTE 11 – LEASES

ITAÚSA and subsidiaries have adopted CPC 06 (R2)/IFRS 16 as of January 1, 2019.

We present below the table summarizing the impacts in the transition and changes in the period:

a) Right-of-Use Assets:

	06/30/2019				Total
	Land	Buildings	Vehicles	Others	
Initial adoption on 01/01/2019	488	10	3	-	501
New contracts / Indexation adjustment	28	1	-	4	33
Depreciation in the period (Income)	(1)	(2)	(1)	-	(4)
Depreciation in the period (*)	(12)	-	-	-	(12)
Total	503	9	2	4	518

(*) Recorded in forest planting costs, item Biological assets

b) Lease Liabilities

	06/30/2019				Total
	Land	Buildings	Vehicles	Others	
Initial adoption on 01/01/2019	488	10	3	-	501
New contracts / Indexation adjustment	28	1	-	4	33
Interest accrued in the period (*)	26	-	-	-	26
Write-off due to payment	(31)	(2)	(1)	-	(34)
Total	511	9	2	4	526

(*) Recorded in forest planting costs, item Biological assets

NOTE 12 – BIOLOGICAL ASSETS (forest reserves)

ITAÚSA through its subsidiaries Duratex Florestal Ltda., Duratex S.A (new name of Tablemac S.A.) and Caetex Florestal S.A., owns eucalyptus and pine forest reserves that are mainly used as raw materials in the production of wood panels, floors and components, and are also sold to third parties.

These reserves guarantee the supply of wood to ITAÚSA's plants, and they also protect ITAÚSA from the future risk of increases in wood prices. The forest reserves are a sustainable operation and are integrated into ITAÚSA's industrial complexes which, together with the supply network, provides a high level of self-sufficiency in relation to the wood supply.

As of June 30, 2019, these companies had approximately 151.2 thousand hectares in areas of effective planting (158.3 thousand hectares at December 31, 2018) in the states of São Paulo, Minas Gerais, Rio Grande do Sul, Alagoas and Colombia.

a) Fair value estimate

The fair value is determined based on the estimated wood volume at the point of harvest, on the current prices of standing timber, except in the case of eucalyptus forests that have up to one year of life and of pine forests that have up to four years of life, which are stated at cost, as it is understood that these values are close to their fair value.

Biological assets are measured at fair value, less cost to sell at the point of harvest.

The fair value was determined by valuing the estimated volumes at the point of harvest considering the current market prices in view of the volume estimates. The assumptions used were as follows:

i. Discounted cash flow – forecast wood volume at the point of harvest, considering the current market prices, net of realizable planting costs and the capital costs of land used in planting (brought to present value) at the discount rate of 5.7% p.a. at June 30, 2019. The discount rate used in cash flow corresponds to the weighted average cost of Duratex S.A., which is reviewed annually by the Management.

ii. Prices – prices in R\$/cubic meter through current market prices, disclosed by specialized companies operating in regions and offering products similar to those of Duratex, in addition to the prices set in transactions with third parties, also in active markets.

iii. Differentiation – harvest volumes separated and valued according to (a) species (pine and eucalyptus), (b) region, (c) purpose (saw and process).

iv. Volumes – estimates of volumes to be harvested (6th year for eucalyptus and 12th year for pine), based on the projected average productivity for each region and species. The average productivity may vary based on age, cropping, climate conditions, quality of seedlings, fires and other natural risks. In relation to formed forests, the current wood volumes are used. Rotating inventory is taken from the second year of life of forests, and their its effects are included in the financial statements.

v. Regularity – expectations regarding future wood prices and volumes reviewed at least every quarter, or when the rotational physical inventory is concluded.

b) Composition of balances

The biological asset balances are composed of the costs of forest planting and the difference between the fair value and the planting costs, as shown below:

	06/30/2019	12/31/2018
Cost of formation of biological assets	1,055	1,030
Difference between cost and fair value	571	544
Transfer to other assets	-	(9)
Fair value of biological assets	1,626	1,565

Forests are free from any liens or guarantees to third parties, including financial institutions. In addition, no forests for which legal title is restricted.

c) Changes

The changes in the accounting balances from the beginning of the period are as follows:

	06/30/2019	12/31/2018
Opening balance	1,565	1,699
Variations in fair value		
Volume price	97	148
Depletion	(69)	(259)
Variations in historical value		
Formation	99	178
Depletion	(66)	(192)
Saldo subtotal	1,626	1,574
Transfer to other assets	-	(9)
Closing balance	1,626	1,565

	01/01 to 06/30/2019	01/01 to 06/30/2018
Effects of variations in the fair value of biological assets	28	(23)
Variations in fair value	97	72
Depletion of fair value	(69)	(95)

The depletion amount for the period is recorded in item Cost of products and services in the statement of income.

NOTE 13 - INCOME TAX AND SOCIAL CONTRIBUTION

ITAÚSA and each of its subsidiaries file separate corporate income tax returns for each fiscal year. Income tax in Brazil comprises income tax and social contribution on net income, which is a tax on income additional to income tax.

a) Composition of income tax and social contribution expense

The amounts recorded as income tax and social contribution expense in the consolidated financial statements reconcile with the statutory rates, as follows:

Current income tax and social contribution	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Income before income tax and social contribution	2,615	5,040	2,208	4,620
Charges (income tax and social contribution) at the current rates	(889)	(1,714)	(751)	(1,571)
Increase/decrease in income tax and social contribution charges arising from:				
(Additions) / exclusions	753	1,654	696	1,524
Share of comprehensive income of associates and joint ventures	837	1,729	700	1,595
Dividends on investments stated at acquisition cost	14	26	12	24
Interest on capital	-	-	(19)	(104)
Deferred tax assets not recorded	(100)	(103)	3	9
Other	2	2	-	-
Total income tax and social contribution	(136)	(60)	(55)	(47)
Effective rate	5.2%	1.2%	2.5%	1.0%

b) Deferred income tax and social contribution

I - The balance and changes in deferred income tax and social contribution are as follows:

	12/31/2017	Realization/ reversal	Increase	12/31/2018
Deferred tax assets				
Tax losses and social contribution loss carried forward (*)	585	(36)	10	559
Allowance for loan losses (*)	10	(1)	1	10
Provision of assets at market value	18	-	11	29
Provision for contingent liabilities (*)	476	(3)	96	569
Income Tax on Profits Abroad	11	-	27	38
Other	58	(13)	44	89
Total deferred tax assets	1,158	(53)	189	1,294
Deferred tax liabilities				
Revaluation reserve	(45)	4	-	(41)
Present value of financing	(4)	3	-	(1)
Swap results	(4)	-	(8)	(12)
Depreciation	(15)	-	(2)	(17)
Pension plans	(39)	3	(2)	(38)
Sales of property	(19)	13	-	(6)
Biological Assets	(223)	37	-	(186)
Client Portfolio	(55)	7	-	(48)
Goodwill on assets	(16)	-	(2)	(18)
Adjustment to fair value on investments	(4)	-	(47)	(51)
Other liabilities (*)	(72)	31	(3)	(44)
Total deferred tax liabilities	(496)	98	(64)	(462)
Deferred tax assets, net	662	45	125	832

	12/31/2018	Realization/ reversal	Increase	06/30/2019
Deferred tax assets				
Tax losses and social contribution loss carried forward	559	(10)	7	556
Allowance for loan losses	10	(1)	-	9
Provision of assets at market value	29	(29)	-	-
Provision for contingent liabilities	569	(5)	4	568
Income Tax on Profits Abroad	38	-	-	38
Other	89	(3)	38	124
Total deferred tax assets	1,294	(48)	49	1,295
Deferred tax liabilities				
Revaluation reserve	(41)	1	-	(40)
Present value of financing	(1)	-	(3)	(4)
Swap results	(12)	-	(4)	(16)
Depreciation	(17)	1	-	(16)
Pension plans	(38)	1	-	(37)
Sales of property	(6)	-	-	(6)
Biological Assets	(186)	-	(10)	(196)
Client Portfolio	(48)	5	-	(43)
Goodwill on assets	(18)	-	-	(18)
Adjustment to fair value on investments	(51)	-	(18)	(69)
Other liabilities	(44)	-	3	(41)
Total deferred tax liabilities	(462)	8	(32)	(486)
Deferred tax assets, net	832	(40)	17	809

II - We present below the estimated realization of Deferred Tax Assets:

Year	06/30/2019
2019	65
2020	407
2021	557
2022	58
2023	54
2024 onwards	154
Total	1,295

III – On June 30, 2019, deferred tax assets not recognized totaled R\$265 (R\$162 at December 31, 2018).

NOTE 14 – DEBENTURES

On May 24, 2017 ITAÚSA raised funds in the market through the issue in a single series of 12,000 debentures, non-convertible into shares, with face value of R\$100 thousand each, with interest at 106.9% of CDI, with semiannual payments of interest and amortization of the principal amount in three annual successive installments, in May 2022, 2023 and 2024.

On May 17, 2019, subsidiary Duratex carried out the Second Issue of Simple, Unsecured Debentures (code DTEX12), non-convertible into shares in a single series, in the amount of R\$1,200 million.

The Company issued 120,000 debentures with nominal unit value of R\$10,000, compensatory interest of 108% of the CDI rate, with semiannual payments and maturing in two equal installments corresponding to 50% of the nominal unit value of the debentures, on May 17, 2024 and May 17, 2026.

On June 30, 2019 the updated amount of these debentures was R\$ 2,414 (R\$1,208 at 12/31/2018).

NOTE 15 – LOANS AND FINANCING

Type ⁽¹⁾	Charges	Guarantees	06/30/2019		12/31/2018	
			Current	Non Current	Current	Non Current
Local currency						
BNDES with Swap	103.89% of CDI	Surety - 70% Itaúsa- Investimentos Itaú S.A. and 30% Individuals	10	85	10	90
BNDES with Swap	117.51% of CDI	Surety - 70% Itaúsa- Investimentos Itaú S.A. and 30% Individuals	-	4	-	4
CRA (agribusiness receivables certificate)	98% of CDI	Guarantee Duratex S.A.	1	695	1	694
EXPORT CREDIT	104.8% of CDI	-	280	28	107	303
EXPORT CREDIT	107.5% of CDI	-	144	-	139	-
FGPP - BANCO DO BRASIL with Swap	Fixed rate from 6.6% to 7.90% p.y.	-	390	-	4	385
FINAME	6 % p.y.	Chattel mortgage	1	3	2	4
FINAME	Fixed rate 5.6 % p.y.	Chattel mortgage and surety Duratex S.A.	-	1	-	1
FINAME	Fixed rate 9 % p.y.	Chattel mortgage and surety Duratex S.A.	1	1	1	1
FINAME	SELIC + 4.28% p.y.	Chattel mortgage and surety Duratex S.A.	-	-	-	1
FINAME	Long-term interest rate + 2.3% p.y./Fix	Chattel mortgage	13	23	15	29
FINAME	Long-term interest rate + 4% p.y.	Chattel mortgage and surety Duratex S.A.	2	3	2	4
FNE	Fixed rate 7.53% p.y.	Guarantee Duratex Florestal Ltda.	-	6	-	6
FUNDIEST	30 % IGP-M p.m.	Guarantee - Cia Ligna de Investimentos	26	13	26	25
EXPORT CREDIT NOTE	104.9% of CDI	Surety - Duratex S.A.	37	35	38	71
PROMISSORY NOTE	104.5% of CDI	-	-	-	-	540
Total local currency			905	897	345	2,158
Foreign currency						
Resolution 4,131 with Swap	US\$ + 3.66% p.y.	Promissory note	91	-	182	-
Resolution 4,131 with Swap	US\$ + Libor + 1.5% p.y.	Promissory note	178	-	178	-
Total foreign currency			269	-	360	-
Grand Total			1,174	897	705	2,158

(1) Certain loans and financing (identified in the table above as "with Swap") were designated at fair value through profit or loss.

	06/30/2019	12/31/2018
Maturities		
2020	26	1,288
2021	88	88
2022	711	710
2023	13	13
2024	13	13
2025	11	11
2026	11	11
2027	11	11
2028	11	11
Other	2	2
Total	897	2,158
Reconciliation of net debt	06/30/2019	12/31/2018
Short-term loans	1,174	705
Long-term loans	897	2,158
Total debt	2,071	2,863
Cash and cash equivalents (note 3)	(2,205)	(2,421)
Net debt	(134)	442

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

ITAÚSA and its subsidiaries record provision for tax, labor and civil contingencies in the ordinary course of business.

The respective provision is recognized based on the probability of loss as assessed by the legal advisors of the group.

Relying on the opinion of legal advisors, Management believes that the provision for contingencies recognized is sufficient to cover any loss that may possibly be incurred in any legal action or administrative proceedings.

a) Contingent assets

ITAÚSA and its subsidiaries are discussing in court the refund of taxes e contributions, and they are also a part in civil proceedings in which they have rights receivable or expected rights.

The table below shows the main lawsuits in which, based on the opinion of the legal advisors, a favorable outcome to the company is considered probable, and the amounts related to these lawsuits that are not recognized in the financial statements.

	06/30/2019	12/31/2018
Tax lawsuits	205	203
IPI bonus credit from 1980 to 1985	124	121
Monetary adjustment of credits from Eletrobrás	10	10
INSS - Social Security Contributions	57	58
Integration program tax on revenue ("PIS") and social security funding tax on revenue ("COFINS")	2	2
Other	12	12
Civil lawsuits	6	6
Collection/execution of out-of-court instruments	6	6
Total	211	209

b) Provision

Tax: Provisions is equivalent to the principal amounts of taxes involved in tax, administrative or judicial proceedings, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is accrued when it involves a legal liability, regardless of the likelihood of loss – that is, whether an outcome favorable to the institution is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, the provision is recognized whenever the likelihood of loss is probable.

Labor: Relates to claims in relation to alleged labor rights deriving from overtime, occupational disease, salary equivalence, and involving subsidiary liability.

Civil: Civil lawsuits mainly refer to pain and suffering and property damage.

Following the movement of provision and balances of the judicial deposits:

	Tax	Labor	Civil	Total
Balance at 12/31/2017	1,330	109	32	1,471
Restatement/ Fine	63	9	2	74
Increase	224	38	4	266
Reversal	-	(29)	(14)	(43)
Payments/ Conversion into Income	(6)	(27)	(3)	(36)
Write-off related to sale of Elekeiroz shares	(3)	(12)	(7)	(22)
Balance at 12/31/2018	1,608	88	14	1,710
Escrow deposits	(242)	(19)	(1)	(262)
Balance at 12/31/2018 net of escrow deposits	1,366	69	13	1,448

	Tax	Labor	Civil	Total
Balance at 12/31/2018	1,608	88	14	1,710
Restatement/ Fine	36	4	-	40
Increase	209	25	1	235
Reversal	(54)	(12)	(1)	(67)
Payments/ Conversion into Income	(4)	(9)	(2)	(15)
Balance at 06/30/2019	1,795	96	12	1,903
Escrow deposits	(405)	(22)	-	(427)
Balance at 06/30/2019 net of escrow deposits	1,390	74	12	1,476

The main discussions related to tax provision of ITAÚSA are as follows:

- PIS and COFINS – R\$ 1,674 (R\$ 1,299, net of escrow deposits): The right to calculate and pay PIS and COFINS based on the cumulative tax system is being discussed.

c) Contingent liabilities

ITAÚSA and its subsidiaries are involved in tax, civil and labor lawsuits, which, in the opinion of their legal advisors, present possible losses and for which provision is not recognized.

At June 30, 2019, these lawsuits totaled R\$ 832 for tax lawsuits, R\$ 63 for labor claims and R\$ 47 for civil lawsuits.

The main disputes in tax lawsuits that have a probability of possible loss are related to the following topics:

- Income tax withheld at source, income tax, social contribution, PIS and COFINS – request for offset denied – R\$ 309: cases in which the liquidity and certainty of offsetting credits are being discussed;
- Taxation of revaluation reserve – R\$ 294: discussion related to taxation of revaluation reserve in corporate spin-off operations carried out in the period from 2006–2009;
- PIS and COFINS – disallowance of credits – R\$ 67: the restriction regarding the right to credits in connection with certain inputs related to these contributions is being disputed;
- Levying of tax on circulation of goods and services (ICMS) credits – R\$ 52: discussion regarding the levying, recognition and use of ICMS credits;

- Differences in accessory obligations – R\$ 18: there is a discussion regarding possible differences within the information included in the accessory obligations;
- Social security contribution levied on non-compensatory amounts – R\$ 11 - Discussion about the exclusion of profit sharing paid out to management members and statutory officers from the social security contribution calculation base.

NOTE 17 – STOCKHOLDERS' EQUITY

a) Capital

On June 30, 2019, subscribed, paid-up capital is R\$43,515, represented by 8,410,816,803 book-entry shares, with no par value, of which 2,889,839,643 are common and 5,520,977,160 are non-voting preferred shares, entitled to the following advantages:

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

Authorized capital stock is equivalent to 12,000,000,000 book-entry shares, with no par value, of which up to 4,000,000,000 common and up to 8,000,000,000 preferred shares.

The table below shows the breakdown of and changes in shares of paid-in capital and the reconciliation of the balances:

	06/30/2019			Amount
	Number			
	Common	Preferred	Total	
Residents in Brazil at 12/31/2018	2,887,785,145	3,318,421,750	6,206,206,895	32,109
Residents abroad at 12/31/2018	2,054,498	2,202,436,595	2,204,491,093	11,406
Shares of capital stock at 12/31/2018	2,889,839,643	5,520,858,345	8,410,697,988	43,515
Capital increase based on shareholding increase (Itautec)	-	118,815	118,815	-
Changes in shares of paid-in capital from 01/01 to 06/30/2019	-	118,815	118,815	-
Residents in Brazil	2,887,914,830	3,326,868,642	6,214,783,472	32,153
Residents abroad	1,924,813	2,194,108,518	2,196,033,331	11,362
Shares of capital stock at 06/30/2019	2,889,839,643	5,520,977,160	8,410,816,803	43,515
Treasury shares at 12/31/2018	-	-	-	-
Shares purchased ⁽³⁾	(1,873)	-	(1,873)	-
Treasury shares at 06/30/2019	(1,873)	-	(1,873)	-
Shares outstanding at 06/30/2019	2,889,837,770	5,520,977,160	8,410,814,930	-
Shares outstanding at 12/31/2018 ⁽²⁾	2,889,839,643	5,520,858,345	8,410,697,988	-
	12/31/2018			Amount
	Number			
	Common	Preferred	Total	
Residents in Brazil	2,821,665,246	2,693,462,873	5,515,128,119	27,411
Residents abroad	1,818,478	1,956,683,276	1,958,501,754	9,734
Shares of capital stock at 12/31/2017	2,823,483,724	4,650,146,149	7,473,629,873	37,145
Capital increase based on capitalization of revenue reserves	-	-	-	5,000
Cancellation of treasury stock	-	(3,500,000)	(3,500,000)	-
10% bonus shares	-	764,927,089	764,927,089	-
Subscription of shares	66,355,919	109,285,107	175,641,026	1,370
Changes in shares of paid-in capital from 01/01 to 12/31/2018	66,355,919	870,712,196	937,068,115	6,370
Residents in Brazil at 12/31/2018	2,887,785,145	3,318,421,750	6,206,206,895	32,109
Residents abroad at 12/31/2018	2,054,498	2,202,436,595	2,204,491,093	11,406
Shares of capital stock at 12/31/2018	2,889,839,643	5,520,858,345	8,410,697,988	43,515
Treasury shares at 12/31/2017 ⁽¹⁾	-	-	-	-
Shares purchased	-	(3,500,000)	(3,500,000)	-
Cancellation of treasury stock	-	3,500,000	3,500,000	-
Treasury shares at 12/31/2018	-	-	-	-
Shares outstanding at 12/31/2018 ⁽²⁾	2,889,839,643	5,520,858,345	8,410,697,988	-
Shares outstanding at 12/31/2017 ⁽²⁾	2,823,483,724	5,397,509,136	8,220,992,860	-

(1) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market.

(2) For better comparability, outstanding shares in the 2018 were adjusted by the split approved on 05/24/2018.

(3) Shares purchased from dissenting stockholders in connection with Itaútec share merger process, according to the Announcement to the Market of June 10, 2019.

b) Treasury Shares

	Number			Amount
	Common	Preferred	Total	
Treasury Shares at 12/31/2017	-	-	-	-
Shares purchased	-	(3,500,000)	(3,500,000)	(32)
Cancellation of treasury stock	-	3,500,000	3,500,000	32
Treasury Shares at 12/31/2018	-	-	-	-
Shares purchased	(1,873)	-	(1,873)	-
Treasury Shares at 06/30/2019	(1,873)	-	(1,873)	-

c) Dividends

Stockholders are entitled to a mandatory minimum dividend of not less than 25% of the adjusted net income pursuant to the provisions of the Brazilian Corporate Law. Both common and preferred shares participate equally in the dividend, after the common shares have received dividends equal to the minimum priority dividend of R\$ 0.01 per share to be paid on preferred shares. The minimum dividend may be paid in four or more installments, at least quarterly or at shorter intervals.

The calculation of the quarterly advance of the mandatory minimum dividend is based on the share position on the last day of the prior month, with payment being made on the first business day of the subsequent month.

I. Calculation

Net income	4,921	
(-) Legal reserve	(246)	
Dividend calculation basis	4,675	
Mandatory minimum dividend	1,169	25.00%
Dividends Provided for	3,200	68.45%

II. Stockholders' compensation

	Date of Payment	Value per share		Gross	Net
		Gross	Net		
Paid		0.0200	0.0200	168	168
Quarterly installment	07/01/2019	0.0200	0.0200	168	168
Provided for		0.1190	0.1190	1,001	1,001
Quarterly installment	10/01/2019	0.0200	0.0200	168	168
Interest on capital	08/23/2019	0.0990	0.0990	833	833
Additional (Registered in Revenue Reserves)		0.2415	0.2415	2,031	2,031
Dividends	08/23/2019	0.2415	0.2415	2,031	2,031
Total at 06/30/2019		0.3805	0.3805	3,200	3,200
Total at 06/30/2018		0.2388	0.2374	2,009	1,997

d) Appropriated reserves

• Legal reserve

The legal reserve is recognized at 5% of the net income for each year, pursuant to Article 193 of Law No. 6,404/76, amended by Law No.11,638/07 and Law No.11,941/09, up to the limit of 20% of capital.

• Statutory reserves

These reserves are recognized with the aim of:

- Dividend equalization with the purpose of guaranteeing funds for the payment of dividends, including interest on capital or advances thereon, to maintain the flow of the stockholders' compensation;
- Increasing working capital, guaranteeing funds for the company's operations; and
- Increasing the capital of investees, to guarantee the preemptive rights of subscription to the capital increases of investees.

	06/30/2019	12/31/2018
Revenue reserves	10,106	12,706
Legal	1,992	1,746
Statutory	8,114	10,960
Dividend equalization	2,776	1,961
Working capital increases	1,489	1,194
Increases in the capital of investees	1,819	1,376
Proposal for distribution of additional dividends ^(*)	2,031	6,429
Capital reserves	425	633
Total reserves at parent company	10,531	13,339

(*) Refers to dividends and interest on capital exceeding the mandatory minimum dividend.

Details of reserves	Capital reserves	Revenue reserves		Total reserves
		Legal reserve	Statutory reserves	
Balance at 12/31/2018	633	1,746	10,960	13,339
Recognition of reserves	-	246	1,475	1,721
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	2,031	2,031
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	(6,429)	(6,429)
Dividends and interest on capital not claimed	-	-	2	2
Transactions with subsidiaries and jointly controlled companies	⁽¹⁾ (208)	-	⁽²⁾ 75	(133)
Balance at 06/30/2019	425	1,992	8,114	10,531

Includes mainly:

(1) Recognition of stock-based payment plans.

(2) Effects of Argentina hyperinflation adjustments and of the Corporate Restructuring of Itaú Unibanco Holding S.A.

e) Unappropriated reserves

This refers to the balance of profit remaining after the distribution of dividends and appropriations to the legal reserve. This reserve is recognized after a resolution of the Board of Directors, at the Annual Stockholders' Meeting, in the year subsequent to that for which the financial statements are issued.

NOTE 18 – SHARE-BASED PAYMENTS

Stock option plan of subsidiaries – Duratex S.A.

As set forth in the bylaws, Duratex S.A. has a stock option plan, the purpose of which is to integrate its executives into the company's development process in the medium and long term, providing them with the option of benefiting from the value that their work and dedication add to Duratex's capital stock.

The options will entitle their holders to subscribe to the common shares of Duratex, subject to the conditions established in the plan.

The rules and operating procedures related to the plan will be proposed by the People, Governance and Appointing Committee, designated by the company's Board of Directors. This committee will periodically submit proposals regarding the application of the plan to the approval of the Board of Directors.

Options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders. The total number of options to be granted during each year will not exceed the limit of 0.5% of the total shares held by Duratex that the controlling and non-controlling interest holders own on the date of that year-end balance sheet.

The exercise price to be paid to Duratex is established by the Personnel Committee at the option granting date. The exercise price will be calculated by People, Governance and Appointing Committee based on the average prices of Duratex's common shares at the B3 trading sessions, over a period of at least five and at most 90 trading sessions prior to the option issue date; at the discretion of that committee, which will also decide on the positive or negative adjustment of up to 30%. The established prices will be adjusted up to the month prior to the exercise of the option at the IGP-M or, in its absence, using an index established by the Personnel Committee.

Assumptions	2011	2012	2013	2014	2016	2018	2019
Total stock options granted	1,875,322	1,290,994	1,561,061	1,966,869	1,002,550	1,046,595	1,976,673
Exercise price at the grant date	13.02	10.21	14.45	11.44	5.74	9.02	9.80
Fair value at the grant date	5.11	5.69	6.54	4.48	4.00	5.19	5.17
Exercise deadline	8.5 years	8.8 years	8.9 years	8.1 years	8.9 years	8.8 years	8.8 years
Vesting period	3.5 years	3.8 years	3.9 years	3.10 years	3.9 years	3.8 years	3.7 years

To determine this value, the following economic assumptions were adopted:

	2011	2012	2013	2014	2016	2018	2019
Volatility of share price	32.81%	37.91%	34.13%	28.41%	39.82%	38.09%	38.49%
Dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk-free return rate ⁽¹⁾	5.59%	4.38%	3.58%	6.39%	6.95%	4.67%	4.05%
Effective exercise rate	96.63%	96.63%	96.63%	96.63%	94.90%	94.90%	94.90%

(1) IGP-M coupon

The Company carries out the settlement of this benefit by delivering its own shares held in treasury up to the date of effective exercise of the options by the executives. In 2015 and 2017 there was not the Company's stock option grant.

Statement of the value and appropriation of the options granted:

Granting date	Granted number	Maturity date	Exercise deadline	Granting price	To be exercised		Option price	Total amount	Periods						Other periods
					12/31/2018	06/30/2019			Due	2011 to 2015	2016	2017	2018	2019	
Overdue in previous years								62,710	-	-	-	-	-	-	-
06/29/2011	1,875,322	12/31/2014	12/31/2019	13.02	1,080,061	1,080,061	5.11	9,208	-	9,208	-	-	-	-	-
04/09/2012	1,290,994	12/31/2015	12/31/2020	10.21	581,774	581,774	5.69	6,390	-	6,390	-	-	-	-	-
04/17/2013	1,561,061	12/31/2016	12/31/2021	14.45	897,255	897,255	6.54	8,443	-	6,689	1,754	-	-	-	-
02/11/2014	1,966,869	12/31/2017	12/31/2022	11.44	1,648,223	1,648,223	4.48	8,214	-	4,302	2,232	1,680	-	-	-
03/09/2016	1,002,550	12/31/2019	12/31/2024	5.74	784,800	704,600	4.00	5,685	-	-	1,251	1,515	1,458	634	827
04/26/2018	1,046,595	12/31/2021	12/31/2026	9.02	1,032,356	919,878	5.19	5,381	-	-	-	-	999	930	3,452
05/13/2019	1,976,673	12/31/2022	12/31/2027	9.80	-	1,976,673	5.17	10,219	-	-	-	-	-	381	9,838
Sum	10,720,064				6,024,469	7,808,464		53,540	62,710	26,589	5,237	3,195	2,457	1,945	14,117
Exercise effectiveness								94.90%	96.63%	96.63%	96.63%	96.63%	94.90%	94.90%	94.90%
Computed value								51,429	60,598	25,691 ⁽¹⁾	5,061 ⁽²⁾	3,088 ⁽³⁾	2,337 ⁽⁴⁾	1,855 ⁽⁵⁾	13,397 ⁽⁶⁾

(1) Amount charged to income from 2011 to 2015.

(2) Amount charged to income in 2016.

(3) Amount charged to income in 2017.

(4) Amount charged to income in 2018.

(5) Amount charged to income in the six months of 2019.

(6) Value charged to income in other periods.

At June 30, 2019, Duratex S.A. had 2,176,351 treasury shares, which might be used in a possible option exercise.

NOTE 19 – NET SALES REVENUE OF PRODUCTS AND SERVICES

	04/01 to 06/30/2019	01/01 to 03/31/2019	04/01 to 06/30/2018	01/01 to 03/31/2018
Gross revenue from sales of products and services	1,403	2,746	1,656	3,241
Domestic market	1,164	2,295	1,366	2,719
Foreign market	239	451	290	522
Taxes and contributions on sales	(260)	(532)	(316)	(639)
Net revenue from sales of products and services	1,143	2,214	1,340	2,602

NOTE 20 – EXPENSES, BY NATURE

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Variation in fair value of biological assets	78	97	29	72
Variations in the inventories of finished products and work in process	57	207	103	180
Raw materials and consumption materials	(548)	(1,142)	(697)	(1,407)
Remuneration, charges and benefits to employees	(254)	(496)	(250)	(494)
Depreciation, amortization and depletion	(146)	(304)	(197)	(332)
Transport expenses	(84)	(170)	(95)	(174)
Advertising expenses	(25)	(48)	(23)	(44)
Other expenses	(132)	(235)	(115)	(237)
Total	(1,054)	(2,091)	(1,245)	(2,436)

The expenses by nature described above represent the following captions of the statement of income:

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	04/01 to 06/30/2018
Cost of products and services	(797)	(1,588)	(999)	(1,946)
Sales expenses	(170)	(331)	(175)	(340)
General and administrative expenses	(87)	(172)	(71)	(150)
Total	(1,054)	(2,091)	(1,245)	(2,436)

NOTE 21 – OTHER (LOSSES)/GAINS, NET

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	04/01 to 06/30/2018
Write-off of surplus of pension plan	-	1	-	-
Amortization of intangible assets	(10)	(18)	(9)	(18)
Options granted and recognized	3	-	7	4
Gain (loss) on sales of fixed assets	29	29	183	196
Rental revenue	2	4	3	6
Dividends and interest on capital - NTS	45	83	37	78
Prodep-Reintegra credits	(1)	2	(2)	-
Gain (loss) on sale of investment at Elekeiroz	-	-	(121)	(121)
ICMS in PIS and COFINS base	29	29	-	-
Restructuring of porcelain unit - São Leopoldo	(19)	(19)	-	-
Other	7	2	19	23
Total	85	113	117	168

NOTE 22 – FINANCIAL RESULT

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Financial income				
Remuneration on financial investments	58	111	81	118
Foreign exchange variations	(2)	3	32	40
Indexation adjustment	17	32	4	13
Interest and discount obtained	4	8	8	9
Other	11	28	-	1
Total financial income	88	182	125	181
Financial expenses				
Charges on financing	(42)	(82)	(163)	(243)
Foreign exchange variations	(6)	(26)	(58)	(66)
Indexation adjustment	(21)	(38)	(16)	(31)
Derivatives	(1)	(5)	65	65
Bank charges	(4)	(7)	(3)	(7)
Tax on financial operations	-	-	-	(2)
Interest on lease liabilities	(1)	(1)	-	-
Other	(30)	(58)	(3)	(9)
Total financial expenses	(105)	(217)	(178)	(293)
Total financial result	(17)	(35)	(53)	(112)

NOTE 23 – EARNING PER SHARE

The basic and diluted earnings per share were computed pursuant to the table below for the periods indicated.

The basic earnings per share are computed by dividing the net income attributable to the stockholders of ITAÚSA by the average number of shares for the year, and by excluding the number of shares purchased and held as treasury shares.

Diluted earnings per share are computed in a similar way, but with the adjustment made to the denominator when assuming the conversion of all shares that may dilute earnings.

	04/01 to 06/30/2019	01/01 to 06/30/2019	04/01 to 06/30/2018	01/01 to 06/30/2018
Net income attributable to owners of the parent company				
Net income	2,435	4,921	2,047	4,447
Minimum non-cumulative dividend on preferred shares in accordance with bylaws	(55)	(55)	(55)	(54)
Subtotal	2,380	4,866	1,992	4,393
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(29)	(29)	(29)	(28)
Subtotal	2,351	4,837	1,963	4,365
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis				
To common equity owners	808	1,662	674	1,499
To preferred equity owners	1,543	3,175	1,289	2,866
Total net income available to common equity owners	837	1,691	703	1,527
Total net income available to preferred equity owners	1,598	3,230	1,344	2,920
Weighted average number of shares outstanding				
Common shares	2,889,839,019	2,889,839,331	2,867,721,003	2,845,602,364
Preferred shares	5,520,977,160	5,520,917,753	5,481,241,942	5,439,375,539
Earnings per share – basic and diluted - R\$				
Common shares	0.29	0.59	0.25	0.54
Preferred shares	0.29	0.59	0.25	0.54

The impact from the dilution of earnings per share is lower than R\$ 0.01.

NOTE 24 – POST-EMPLOYMENT BENEFITS

As prescribed in CPC 33 / IAS 19 - “Employee Benefits”, we present the policies adopted by subsidiaries of ITAÚSA in relation to employee benefits, as well as the accounting procedures adopted.

ITAÚSA’s subsidiaries in Brazil are part of a group of companies that sponsor Fundação Itaúsa Industrial, a not-for-profit organization the purpose of which is to manage private plans for the concession of bonus plans or supplementary income or benefits similar to those conferred by the official government retirement plan. Fundação Itaúsa manages a defined contribution plan – PAI-CD (the “CD Plan”) and a defined benefit plan–BD (the “BD Plan”).

Employees hired by the industrial and services area companies have the option of voluntarily participating in the CD Plan, managed by Fundação Itaúsa Industrial.

(a) Defined contribution plan – CD Plan

This plan is offered to all employees of sponsor companies and had 8,387 participants at June 30, 2019 (8,546 at December 31, 2018).

The CD Plan (an individual retirement plan) offers no actuarial risk and the investment risk is borne by the participants.

Pension Program Fund

Contributions made by sponsors that remained in the plan because the participants had opted for redemption or early retirement, formed the Pension Fund which, according to the internal rules of the plan, has been used to offset contributions made by the sponsors.

The amount recorded in the balance sheet under “Other financial assets” (Note 6a) is R\$ 109 (R\$ 111 at December 31, 2018). The revenue of R\$ 2 was recognized in the results.

(b) BD Plan

This plan has as its basic purpose the granting of benefits that, as a lifetime monthly income, are intended to supplement, pursuant to its terms, the income paid by the official government retirement plan. This plan is no longer available, which means that no new participants will be admitted to it.

The plan includes the following benefits: a supplement to the governmental retirement plan, payable based on the time of contribution, special circumstances, age, disability, lifetime monthly income, retirement premium and death bonus.

On June 30, 2019, the Company has no balance receivable in connection with a portion of the special reserve of the defined benefit (BD) plan allocated to sponsors (R\$ 5 on December 31, 2018).

Main assumption used

	06/30/2019	06/30/2018
Discount rate	9.13% p.a.	9.75% p.a.
Mortality table (1)	AT-2000	AT-2000
Turnover	Null	Null
Future salary growth	6.36 % p.a.	6.62 % p.a.
Growth of the pension benefit /plans	4.00 % p.a.	4.25 % p.a.
Inflation	4.00 % p.a.	4.25 % p.a.

(1) The mortality tables adopted correspond to those disclosed by the Society of Actuaries, the North American entity equivalent to the Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probability of survival compared to the respective basic tables; the life expectancies in years according to the AT-2000 mortality table for participants of 55 years of age are 27 and 31 years for men and women, respectively.

NOTE 25 – SEGMENT INFORMATION

In accordance with the standards in force, an operating segment may be understood as a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- (b) whose operating results are regularly reviewed by the entity's chief operating decision – makers in order to make decisions about resources to be allocated to the segment and assess its performance;
- (c) for which discrete financial information is available.

The operating segments of ITAÚSA were defined according to the reports submitted to the Board of Directors for decision-making. Therefore, the segments are divided into the Financial Sector and the Non-financial Sector.

One of ITAÚSA's corporate purposes is holding interest in the capital stock of other companies of different segments. Itaúsa's main investments are Duratex and Alpargatas, which operate in non-financial sector, and Itaú Unibanco Holding, a financial sector company.

The Itaúsa subsidiaries have independence with regard to defining their differentiated and specific standards in the management and segmentation of their respective businesses.

- **Financial Sector**

Itaú Unibanco Holding is a banking institution that offers, directly or through its subsidiaries, a broad range of credit and other financial services to a diversified client base of individuals and companies in and outside Brazil.

ITAÚSA exercises joint control over the businesses of Itaú Unibanco Holding; the jointly-controlled entities were accounted for under the equity method and were not consolidated.

The complete financial statements of Itaú Unibanco Holding are available at the following website <https://www.itau.com.br/relacoes-com-investidores/>.




- **Non-financial Sector**

In the non-financial segment we have a broad range of companies; for this reason, we have separated information by company. A brief description of the products and services provided by each company is as follows:

I) Alpargatas: it is engaged in the manufacturing and sale of footwear and respective components, apparel, textile artifacts and respective components, leather, resin and natural or artificial rubber and sports products. ITAÚSA exercises a shared control on Alpargatas' business, and its information is not consolidated, but rather accounted for under the equity method.

II) Duratex manufactures bathroom porcelain and metals, and the respective fittings, ceramic tiles and electronic showers, with the Deca, Ceusa and Hydra brands, which are distinguished by their wide range of products, bold design, and superior quality. Duratex also produces wood panels from pine and eucalyptus, largely used in the manufacture of furniture, mainly fiberboard, chipboard and medium, high and super-density fiberboards, better known as MDF, HDF and SDF, from which laminated flooring (Durafloor) and ceiling and wall coatings are manufactured.

We present below the main indicators of the ITAÚSA portfolio companies, extracted from their financial statements. Net income, stockholders' equity and ROE correspond to results attributable to controlling stockholders. As Duratex is controlled by ITAÚSA, its information was consolidated in the financial statements of ITAÚSA.

	January to June	Financial Sector	Non Financial Sector	
				
Total assets	2019	1,566,311	4,323	10,345
	2018	1,469,095	3,679	9,488
Operating revenues ⁽¹⁾	2019	94,674	1,947	2,217
	2018	80,447	1,793	2,173
Net income	2019	13,274	86	93
	2018	12,129	137	197
Stockholders' equity	2019	129,914	2,457	4,728
	2018	126,336	2,130	4,996
Annualized return on average equity (%) ⁽²⁾	2019	21.7%	7.1%	4.0%
	2018	20.0%	12.7%	8.2%
Internal fund generation ⁽³⁾	2019	29,332	274	468
	2018	26,158	237	765

(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.

(2) Represents the annualized ratio of net income for the period and the average equity ((June + March + December 2018)/3).

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

NOTE 26 – RELATED PARTIES

Transactions between related parties are carried out based on the amounts, maturities and average rates in accordance with normal market practices on the respective dates, as well as under reciprocal conditions.

Transactions between companies included in the consolidation were eliminated from the consolidated financial statements. The transaction terms take into consideration the absence of risk.

The transactions with these related parties are mainly characterized as follows:

a) Related parties

	Consolidated			
	Assets/(Liabilities)		Revenue/(Expenses)	
	06/30/2019	12/31/2018	01/01 to 06/30/2019	01/01 to 06/30/2018
Financial investments	45	20	1	1
Itaú Unibanco S.A.	45	20	1	1
Clients/Suppliers	(1)	39	53	98
Other Related Parties ⁽¹⁾	(1)	39	53	98
Banking service fees/Rental	31	(8)	32	(2)
Itaú Corretora S.A.	(1)	-	(4)	(2)
Itaú Unibanco S.A.	30	(8)	⁽²⁾ 36	-
Itaú BBA	2	-	-	-
Total	75	51	86	97

(1) Refers basically to the operations for the sale of Duratex S.A.'s goods to Leo Madeiras Máquinas. e Ferramentas S.A. and Fibria Celulose, as well as rural leasing costs with Ligna Florestal Ltda.

(2) Fixed assets owned by ITAÚSA were disposed to Itaú Unibanco S.A. on June 28, 2019, for R\$37, in connection with its 3.34% interest in Itaú Unibanco Centro Empresarial (IUCE).

On June 30, 2019, the recognition of a provision for expected loan losses involving related parties was not required.

b) Guarantees provided

In addition to these transactions, there are guarantees provided by ITAÚSA, for the benefit of its subsidiaries, endorsements, sureties and others, as follows:

	06/30/2019	12/31/2018
Duratex S.A.	70	73
Itautec S.A.	38	45
Total	108	118

c) Compensation of key personnel

The compensation of members of ITAÚSA and its subsidiaries' management was as follows:

	01/01 to 06/30/2019	01/01 to 06/30/2018
Compensation	25	15
Profit sharing	11	14
Stock options	2	1
Total	38	30

NOTE 27 – MANAGEMENT OF FINANCIAL RISKS

I – Financial risk factors

As a holding company, the risks to which ITAÚSA is subject are those that are managed by its subsidiaries and affiliates.

In terms liquidity risk, ITAÚSA's cash flow forecast is made by Management, which monitors the continuous forecasts of liquidity requirements to ensure that it has sufficient cash to meet operating needs, mainly the payment of dividends and interest on capital and the settlement of other obligations assumed.

ITAÚSA's excess cash is invested in investment fund quotas.

At the reporting date, ITAÚSA had cash and cash equivalents amounting to R\$ 661 (R\$ 936 at December 31, 2018), which are expected readily generate to cash inflows to manage the liquidity risk.

With the purpose of maintaining investments at acceptable risk levels, new investments or increases in interests are discussed at a joint meeting of ITAÚSA's Executive Board and Board of Directors.

We present below the main risks associated with ITAÚSA's subsidiaries:

a) Market risk

(i) Foreign currency risk

Changes in foreign exchange rates may result in a decrease in asset amounts or an increase in liability amounts. The foreign exchange risk derives from future commercial operations, assets and liabilities recognized and net foreign investments.

In view of certain risk management procedures, which aim to minimize the foreign exchange exposure, hedge mechanisms are in place to protect most of the foreign exchange exposure.

(ii) Derivative operations

In derivative operations there are no checks, monthly settlements or margin calls, and the contract is settled upon maturity, and recorded at fair value, taking into account market conditions such as terms and interest rates.

We present below the types of contract in place in subsidiaries:

- Swap contracts - US\$ x CDI: this type of operation aims at changing debts expressed in US dollars into debts indexed to the CDI;
- Swap contracts – fixed rate x CDI: this type of operation aims to change debts at fixed interest rates into debts indexed to the CDI;
- Swap contract – IPCA + fixed rate x CDI: this type of transaction aims to change debts at fixed interest rates into debts indexed to the CDI;
- NDF (Non-Deliverable Forward) Contract: this operation is aimed at eliminating a company's foreign exchange exposure. Accordingly, the contract is settled on its respective maturity date, taking into account the difference between the forward exchange rate (NDF) and the foreign exchange rate at the end of the period (Ptax);
- The fair value of financial instruments was valued based on the estimated present value, both for the long and short positions, and the resulting difference between these positions gives rise to the swap market value.

The following table summarizes the fair value of derivative financial instruments:

	Notional amount	Fair value	Accumulated effect	
	06/30/2019	06/30/2019	Amount receivable	Amount payable
Swap contracts	-	33	33	-
Asset position	750	792	33	-
Foreign currency (US\$)	266	291	21	-
Fixed rate	385	396	6	-
IPCA +	100	105	5	-
Liability position	(750)	(759)	-	-
CDI	(750)	(759)	-	-
Futures contracts (NDF)	169	168	1	-
Agreement of Sale	169	168	1	-
NDF	169	168	1	-

	Notional amount	Fair value	Accumulated effect	
	06/30/2018	06/30/2018	Amount receivable	Amount payable
Swap contracts	-	21	30	-
Asset position	740	770	30	-
Foreign currency (US\$)	355	391	30	-
Fixed rate	385	379	-	-
Liability position	(740)	(749)	-	-
CDI	(740)	(749)	-	-
Futures contracts (NDF)	134	133	-	-
Agreement of Sale	134	133	-	-
NDF	134	133	-	-

The gains or losses on operations shown in the table were offset in the interest and foreign currency, asset and liability positions, the effects of which are presented in the financial statements.

Sensitivity analysis

We present below the sensitivity analysis of financial instruments, including derivatives, describing the risks that may give rise to material losses to ITAÚSA and its subsidiaries, under three different scenarios (probable, possible, and remote), pursuant to the provisions of CVM Instruction No. 475/08, representing 25% and 50% impairment of the risk variable considered.

For the risk variable rates used in the Probable Scenario, B3 / Bloomberg quotations were used for the respective maturity dates.

Risk	Instrument/Operation	Description	Probable Scenario	Possible Scenario	Remote Scenario
Interest rate	Swap – Fixed/ CDI	Increase - CDI	5	1	(3)
	Hedged item: loans at fixed rates		(5)	(1)	3
	Swap - IPCA+ / CDI	Increase - CDI	15	(22)	(68)
	Hegde item: loans at IPCA+ rates		(15)	22	68
Foreign exchange	Swap - US\$ / CDI (Res. 4131)	Drop - US\$	2	(72)	(146)
	Hedged item: debt in foreign currency (US\$)	(Increase US\$)	(2)	72	146
	NDF (US\$)	Drop - US\$	-	42	84
	Hedged item: debt in foreign currency (US\$)	(Increase US\$)	-	(42)	(84)
Total			-	-	-

(iii) Cash flow risk or fair value associated with interest rate

The cash invested earns interest indexed to the CDI variation percentage, with redemption guaranteed by the issuing banks in accordance with the contracted rates. There are no other relevant assets the results of which are directly affected by changes in market interest rates.

For liabilities, the interest rate risk derives from long-term loans. Most of these loans are indexed to the Brazilian long-term interest rate ("TJLP"), a rate aimed at encouraging long-term investments in the production sector, which is historically lower than the financing rates in the market.

The risk associated with these contracted interest rates is monitored from the beginning of the financing, and the institution's policy is to monitor the changes in and projections of the interest market, analyzing any possible need or opportunity to contract hedges for these operations.

b) Credit risk

The sales policy is directly associated with the credit risk level to which the institution is willing to be exposed to in the course of business. Diversifying the receivables portfolio and selecting clients, as well as monitoring sales financing terms and individual credit limits, are among the procedures adopted to minimize default levels or losses in the realization of accounts receivable.

Regarding financial and other investments, the company's policy is to work together with prime institutions and refrain from having investments concentrated in a single economic group.

c) Liquidity risk

This is the risk that ITAÚSA and its subsidiaries will not have net funds that are sufficient to meet their financial commitments, as a result of the mismatch of terms or volume between the scheduled receipts and payments. Assumptions regarding future reimbursements and receipts, monitored on a daily basis by the treasury area, are established in order to manage the liquidity of cash in domestic and foreign currencies.

The table below shows the maturities of financial liabilities and accounts payable to suppliers at the balance sheet date:

06/30/2019	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Loans and financing	1,191	113	3,180	1
Suppliers and other payables	389	-	-	-
Total	1,580	113	3,180	1

12/31/2018	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Loans and financing	711	1,375	1,960	25
Suppliers and other payables	449	2	-	23
Total	1,160	1,377	1,960	48

II - Estimated fair value

It is assumed that the balances of trade accounts receivable and trade accounts payable at their carrying amounts less impairment are close to their fair values. The fair values of financial assets and liabilities, for disclosure purposes, are estimated by discounting the future contractual cash flow at the interest rate in force in the market, which is available for ITAÚSA and its subsidiaries for similar financial instruments.

The financial statements are in conformity with CPC 40 (R1) / IFRS 7 – "Financial Instruments: Evidence" measured in the balance sheet at fair value, which requires the disclosure of these measurements using the following hierarchy levels:

- Level 1: prices (unadjusted) quoted for identical assets or liabilities in active markets;
- Level 2: information, in addition to quoted prices, included in level 1, which is adopted by the market for assets or liabilities, either directly (that is, as prices) or indirectly (that is, as price derivatives);
- Level 3: inputs for assets or liabilities not based on the data adopted by the market (that is, non-observable inputs).

In the following table, we present the consolidated financial instruments by level:

	Level	06/30/2019	12/31/2018
Assets		5,556	5,424
Cash and cash equivalents	1	101	174
Cash and cash equivalents	2	2,104	2,247
Financial assets - Fair value through profit or loss	3	1,082	1,030
Trade accounts receivable	2	1,159	1,215
Dividends and interest on capital	2	524	90
Deposits as guarantees for contingent liabilities	2	103	96
Other assets	2	483	572
Liabilities		6,222	5,317
Loans, financing and debentures	2	4,485	4,071
Suppliers / other expenses	2	389	474
Dividends and interest on capital	2	1,348	772

NOTE 28 – SUBSEQUENT EVENTS

Sales agreement – Textile segment in Argentina - Alpargatas

Through the Material Fact of July 16, 2019, jointly-owned subsidiary Alpargatas informed that, in line with the Sales Agreement for disposal of 22.5% of the Topper brand business unit in Argentina and in the world entered into on September 14, its Argentinian subsidiary Alpargatas S.A.I.C. (“Alpargatas Argentina”) has completed negotiations to sell its textile segment assets, subject to certain conditions precedent, as follows:

- (i) Corrientes branch and Chaco branch: sold to Marfra S.A;
- (ii) Florêncio Varela branch: sold to Cladd Indústria Têxtil Argentina S.A.; and
- (iii) Catamarca brand: sold to Fibran Sur S.A.

The overall aggregate amount of these operations is approximately fourteen million, four hundred thousand US dollars (US\$14,400,000), payable in installments by the respective buyers.

With the effective transfers of these assets, to be carried out by October 1, 2019, Alpargatas, through Alpargatas Argentina, no longer operates in the textile segment.

Supplementary Dividends - Itaú Unibanco Holding

Through the Material Fact of July 29, 2019, jointly-controlled subsidiary Itaú Unibanco Holding informed that it has approved the payment, on August 23, 2019, of dividends supplementary to those dividends already paid monthly over the first half of 2019 in the amount of R\$0.7869 per share, with calculation based on the final stockholding position on August 15, 2019.

As a result of this resolution, ITAÚSA will receive, directly and indirectly through its jointly-controlled subsidiary IUPAR, the amount of R\$1,999, of which R\$465 is already recorded in Other Financial Assets and R\$1,534 will be recorded on the resolution date.

Merger of Wholly-Owned Subsidiary Itaúsa Empreendimentos S.A. (“Itaúsa Empreendimentos”)

Through the Material Fact of July 30, 2019, ITAÚSA informed that its Board of Directors resolved on calling a General Stockholders’ Meeting for August 30, 2019 to approve the merger of its wholly-owned subsidiary Itaúsa Empreendimentos, which administrative structure is composed of approximately 80 professionals exclusively dedicated to operational supporting activities to ITAÚSA and the conglomerate industrial sector companies.

This corporate restructuring is aimed at seeking more operational synergy and efficiency, with the resulting optimization and rationalization of administrative costs and accessory obligations derived from the maintenance of Itaúsa Empreendimentos.

As it concerns streamlining the corporate structure and cost reduction, the Company understands that no significant risk will be posed if said merger is not consummated. Costs to be incurred in this transaction are estimated at R\$100 thousand, arising from systemic adjustments, legal advisory, appraiser engagement, and publication costs.

Considering Itaúsa Empreendimentos' corporate structure, this merger will be implemented without diluting ITAÚSA's capital, since it will not lead to any capital increase, new shares issue, ratio of exchange of shares or the right of dissent and appraisal for any stockholders.

Final Instruments for Purchase of CECRISA – Duratex Signed

Through the Announcement to the Market of July 31, 2019, subsidiary Duratex informed that was completed the purchase of 100% of shares in Cecrisa Revestimentos Cerâmicos S.A. ("CECRISA"), through its subsidiary CEUSA. This transaction was approved without restriction by CADE, the Brazilian anti-trust agency, and CECRISA's results will be incorporated into the results of Duratex as of August 1, 2019.

Duratex will pay up to R\$539 for this acquisition, subject to variation of working capital and certain conditions precedent, in addition to assuming CECRISA's net debt.

Report on review of financial statements

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

Introduction

We have reviewed the accompanying balance sheet of Itaúsa - Investimentos Itaú S.A. ("Parent Company") as at June 30, 2019 and the related statements of income, comprehensive income and cash flows for the quarter and six-month period then ended, and the statement of changes in stockholders' equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

We have also reviewed the accompanying consolidated balance sheet of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated") as at June 30, 2019 and the related consolidated statements of income, comprehensive income and cash flows for the quarter and six-month period then ended, and the consolidated statement of changes in stockholders' equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and for the consolidated financial statements in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting of the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the Parent Company financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Parent Company financial statements referred to above do not present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. as at June 30, 2019, and its financial performance and cash flows for the quarter and six-month period then ended, in accordance with CPC 21.

Conclusion on the Consolidated financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements referred to above do not present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. and its subsidiaries as at June, 30, 2019, and their consolidated financial performance and cash flows for the quarter and six-month period then ended in accordance with CPC 21 and IAS 34.

Other matters**Statements of Value Added**

We have also reviewed the Parent Company and consolidated statements of value added for the quarter and six-month period ended June 30, 2019. These statements are the responsibility of the Company's management and are presented as supplementary information. These statements have been subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not properly prepared, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, August 12, 2019.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ 61.532.644/0001-15

A Publicly Listed Company

NIRE 35300022220

OPINION OF THE FISCAL COUNCIL

The members of Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.** have proceeded to examine the individual and consolidated interim financial statements for the quarter ending June 30, 2019, which were reviewed by PricewaterhouseCoopers Auditors Independents (“PwC”), as Conglomerate’s independent auditor.

The Fiscal Councilors have verified the exactness of the elements examined and considering the unqualified report issued by PwC, understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period. São Paulo (SP), August 12, 2019. (signed) Tereza Cristina Grossi Togni – President; Eduardo Rogatto Luque, Flavio César Maia Luz, José Maria Rabelo and Paulo Ricardo Moraes Amaral – Councilors.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15

A Publicly Listed Company

NIRE 35300022220

SUMMARIZED MINUTES OF THE MEETING OF THE EXECUTIVE BOARD HELD ON AUGUST 12, 2019

DATE, TIME AND PLACE: on August 12, 2019, at 10:00 a.m., at Paulista Avenue, 1938, 5th floor, Room 501, in the city and state of São Paulo.

CHAIR: Alfredo Egydio Setubal, CEO.

QUORUM: the totality of the elected members.

RESOLUTIONS ADOPTED: following due examination of the interim individual and consolidated account statements for the 2st quarter of 2019, which were favorably recommended by the Finance Commission, the Board unanimously resolved and pursuant to the provisions in sub-section V and VI of Article 25 of CVM Instruction 480/09, amended, declare that:

- (i) it has reviewed, discussed and agrees with the opinions expressed in the review report issued by PricewaterhouseCoopers Auditores Independentes, as independent auditors; and
- (ii) it has reviewed, discussed and agrees with the interim individual and consolidated account statements for the quarter ended on June 30, 2019.

CONCLUSION: there being no further matters on the agenda these minutes were drafted, read, approved and signed by all. São Paulo (SP), August 12, 2019. (signed) Alfredo Egydio Setubal - CEO; Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Rodolfo Villela Marino - Vice Presidents.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer